

The Capital increase by way of debt conversion pursuant to this Circular is subject to the approval of the shareholders. An invite has been issued to convene the extraordinary general assembly of the Company to vote on the capital increase on 10/06/1447H (corresponding to 01/12/2025G). If shareholders’ approval is not obtained, the capital increase will not be implemented, the debt will not be converted, and this Circular shall, at that time, be void. In such case, the shareholders will be notified accordingly.

Emaar The Economic City

A Saudi listed joint stock company registered with the commercial register with unified number 7001503056 dated 06/03/1436H (corresponding to 28/12/2014G) with its headquarters in Rabigh, Kingdom of Saudi Arabia.



This Circular has been prepared by Emaar The Economic City, a Saudi listed joint stock company registered with the commercial register under unified number 7001503056 dated 06/03/1436H (corresponding to 28/12/2014G) with its headquarters in Rabigh, Kingdom of Saudi Arabia, and originally established pursuant to ministerial resolution no. 609 dated 15/04/1427H (corresponding to 13/05/2006G), with initial commercial registration no. 4030164269 dated 08/09/1427H (corresponding to 26/09/2006G) issued in Jeddah, Kingdom of Saudi Arabia, and then the Company’s headquarters was relocated and its commercial registration was amended to no. 4602005884 dated 06/03/1436H (corresponding to 28/12/2014G) issued in Rabigh, Kingdom of Saudi Arabia (hereinafter referred to as the “Company” or the “Issuer”), with current capital of five billion, two hundred and thirty-two million, five hundred and ninety-nine thousand and ninety (SAR 5,232,599,090) Saudi Riyals, divided into five hundred and twenty-three million, two hundred and fifty-nine thousand, nine hundred and nine (523,259,909) ordinary shares of equal value, each with a nominal value of ten (SAR 10) Saudi Riyals, all of which are listed on the Saudi Exchange, in accordance with the requirements of Article (59) of the Rules on the Offer of Securities and Continuing Obligations, for the purpose of issuing three hundred fifty-nine million, six hundred sixty-nine thousand, nine hundred ninety-six (359,669,996) new ordinary shares (hereinafter referred to as the “New Shares”) with a total nominal value of three billion, five hundred ninety-six million, six hundred ninety-nine thousand, nine hundred sixty (SAR 3,596,699,960) Saudi Riyals to the Public Investment Fund (hereinafter referred to as the “PIF”) in exchange for converting the debt owed by the Company to the PIF (in its capacity as the lender) in the amount of four billion, one hundred and eighteen million, two hundred and twenty-one thousand, four hundred and sixty-four (SAR 4,118,221,464.63) Saudi Riyals and sixty-three halalas (hereinafter referred to as the “Debt”) into ordinary shares in the Company (hereinafter referred to as the “Debt Conversion”), through increasing the Company’s capital from five billion, two hundred and thirty-two million, five hundred and ninety-nine thousand and ninety (SAR 5,232,599,090) Saudi Riyals, divided into five hundred and twenty-three million, two hundred and fifty-nine thousand, nine hundred and nine (523,259,909) ordinary shares, to eight billion, eight hundred twenty-nine million, two hundred ninety-nine thousand, fifty (SAR 8,829,299,050) Saudi Riyal divided into eight hundred eighty-two million, nine hundred twenty-nine thousand, nine hundred and five (882,929,905) ordinary shares, representing an increase of sixty-eight point seventy-four percent (68.74%) of the Company’s current capital (hereinafter referred to as the “Capital Increase”). The completion of the Debt Conversion is conditional upon obtaining the approval of the Capital Increase EGM. If the required percentage of the Company’s shareholders, being three-quarters of the voting shares represented at the meeting, does not approve, the Debt Conversion will not be completed and the New Shares will not be issued. If approval is granted, the completion date of the Debt Conversion will be 10:00 a.m. on the day the New Shares are listed and begin trading, and the Company’s obligations in respect of the Debt shall then be fully discharged (the “Completion Date”). For more details on the Debt Conversion, please refer to Section (3) (“Debt Conversion Through Capital Increase”).

The PIF is considered a Substantial Shareholder in the Company, currently owning 25% of its capital. Following the issuance of the New Shares through the Debt Conversion, the PIF will own fifty-five point fifty-five percent (55.55%) of the Company’s capital after the Capital Increase.

All of the Company’s shares are of the same class, and the New Shares will be issued from the same class and will enjoy the same rights, including voting rights, dividend entitlements, rights to surplus assets upon liquidation or dissolution, and all other rights.

The number and value of the New Shares have been determined based on the conversion formula agreed between the Company and the Lender, which provides for a 25% discount to the volume-weighted average price of the Company’s shares for the twelve (12) months preceding the trading day prior to the date of the notice convening the Capital Increase EGM, subject to a minimum price of ten (SAR 10) Saudi Riyals per share, and adjusting for any change in the share capital as applicable during this twelve (12)-month period (the “Conversion Formula”). As the pricing date is 09/06/1447H (corresponding to 30/11/2025G), being the day prior to publishing the invite of the Extraordinary General Assembly, the agreed share price is

(SAR 11.45) Saudi Riyals per share. Based on this price and the total Debt amount, the number of New Shares was determined.

The Debt represents the amounts due under: (a) the shareholder loan agreement entered into with the PIF on 28/07/1444H (corresponding to 19/02/2023G); and (b) the debt novated by the Ministry of Finance in favor of the PIF on 02/03/1446H (corresponding to 05/09/2024G). The Debt includes the principal amount, interest, and fees, excluding any interest or fees accrued after 31 December 2024G. It should be noted that the Debt subject to conversion and addressed in this Circular does not include all amounts owed by the Company to PIF, as there are interest and fees accruing from 1 January 2025G until the Completion Date, in addition to another shareholder loan in the amount of one billion (SAR 1,000,000,000) Saudi Riyals obtained from the PIF under the loan agreement dated 18/09/1446H (corresponding to 18/03/2025G), which is not included in the Debt subject to conversion and addressed in this Circular.

On 04/03/1446H (corresponding to 07/09/2024G), the Board of Directors issued a resolution to recommend to the shareholders a capital increase through the conversion of the debt owed to the PIF in the amount of three billion, nine hundred seventy-two million, four hundred fifteen thousand, and ninety-one (SAR 3,972,415,091) Saudi Riyals into new ordinary shares. This amount included the financial obligations and liabilities owed by the Company to the PIF under the shareholder loan agreement and the debt novated by the Ministry of Finance. On the same date, 04/03/1446H (corresponding to 07/09/2024G), the Company entered into a debt conversion agreement with the PIF. On 09/09/1446H (corresponding to 09/03/2025G), the Company and the PIF entered into an addendum to the agreement (the agreement and its addendums referred to as the “Debt Conversion Agreement”), under which the parties agreed on the conversion formula and to include accrued interest and fees up to 31 December 2024G in the amount to be converted, such that the total amount subject to conversion would be four billion, one hundred eighteen million, two hundred twenty-one thousand, four hundred sixty-four (SAR 4,118,221,464.63) Saudi Riyals and sixty-three halalas. This occurred following the Board of Directors approval on 08/09/1446H (corresponding to 08/03/2025G) on the execution of the addendum to the agreement and to amend its earlier recommendation to the shareholders, so that the Capital Increase would be through the conversion of the debt owed to the PIF in the amount of four billion, one hundred eighteen million, two hundred twenty-one thousand, four hundred sixty-four (SAR 4,118,221,464.63) Saudi Riyals and sixty-three halalas into new ordinary shares.

The Debt Conversion forms one of the key pillars of the capital optimization plan announced by the Company on 05/03/1446H (corresponding to 08/09/2024G), aimed at enhancing its ability to move forward with the implementation of its growth plans. For further details on the reasons for the Debt Conversion, please refer to Section (3.2) (“Rationale for the Debt Conversion”).

Following the approval of the Capital Market Authority (hereinafter referred to as the “CMA”) of the application for the offering and registration of the New Shares, the Company published its invitation to the shareholders to attend the Capital Increase EGM to consider and vote on the following agenda items: (1) increasing the Company’s capital through the Debt Conversion; (2) authorizing the members of the Board of Directors of the Company to take all necessary actions to complete the Debt Conversion; (3) the terms of the Debt Conversion Agreement; (4) the proposed amendments to the Company’s Bylaws related to the Capital Increase; and (5) the authorization of the indirect interest of the conflicted Board members (as identified below) (together, the “Transaction Resolutions”).

The PIF is considered a related party, as it is one of the Substantial Shareholders of the Company. It should also be noted that certain members of the Board have interest in the Debt Conversion and have declared their interest and abstained from voting on the Debt Conversion. These members are: (a) Fahad Abduljaleel Alsaif, (b) Naif Saleh AlHamdan, and (c) Mansour Abdulrahman Al-Salem, due to their employment by the PIF. The table below sets out the shareholding of the PIF, as the related party, and the shareholding of the conflicted Board members based on the shareholders’ register as of 01/01/1447H (corresponding to 26/06/2025G):

Name	Capacity	Reason	Before the Capital Increase		After the Capital Increase	
			No. of Shares Held Directly	Direct Ownership (%)	No. of Shares Owned Directly	Direct Ownership (%)
The Public Investment Fund	Lender	Related party, as it is a Substantial Shareholder of the Company.	130,814,977	25%	490,484,973	55.55%
Fahad Abduljalil AlSaif	Chairman of the Board	Conflicted director, as he is employed by the PIF.	N/A	N/A	N/A	N/A
Naif Saleh AlHamdan	Board Member	Conflicted director, as he is employed by the PIF.	N/A	N/A	N/A	N/A
Mansour Abdulrahman AlSalem	Board Member	Conflicted director, as he is employed by the PIF.	5,540	0.001059%	5,540	0.0006275%

For more information about the indirect interest of Board members, please refer to Section (3.5) (“Board of Directors and Their Ownership”).

An application has been submitted to the CMA for the registration and offering of the New Shares, and to the Saudi Exchange for the listing of the New Shares, and all the regulatory requirements necessary for the purpose of the Debt Conversion have been met. Other than the approval of the Extraordinary General Assembly on the Transaction Resolutions, all approvals related to the Debt Conversion have been obtained from the CMA and the Saudi Exchange. For more details, please refer to Section (6) (“Legal Information”).

This Circular should be read in full and examined in detail, particularly the “Important Notice” on page (A) and Section (2) “Risk Factors”, prior to voting on the Transaction Resolutions at the Extraordinary General Assembly.

This Circular includes information provided as part of the application for registration and offer of securities in compliance with the Rules on the Offer of Securities and Continuing Obligations of the Capital Market Authority of the Kingdom of Saudi Arabia (the “Authority”) and the application for listing of securities in compliance with the Listing Rules of the Saudi Stock Exchange Company. The members of the Company’s Board of Directors, whose names appear in this Circular, collectively and individually accept

full responsibility for the accuracy of the information contained in this Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading. The Authority and the Saudi Stock Exchange Company do not take any responsibility for the contents of this Circular, do not make any representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Circular. If understanding the contents of such Circular is difficult, an authorised financial advisor must be consulted.

Moreover, the members of the Company’s Board of Directors (other than the Conflicted Directors) confirm that the Debt Conversion is in the best interest of the Company and its shareholders, having done their diligence, with the assistance of their advisors, as deemed appropriate under the circumstances and taking into account prevailing market conditions as of the date of publication of this Circular.

The Company has appointed SNB Capital Company as a financial advisor regarding the Debt Conversion.

The Financial Advisor





Important Notice

The Company has prepared this Circular pursuant to Article (59) of the Rules on the Offer of Securities and Continuing Obligations to enable its shareholders to make an informed decision when voting on the Board's recommendation to increase the Company's capital by converting the Debt. By publishing this Circular, the Company's shareholders are deemed aware of and familiar with the information provided in the Circular, and their decisions and voting in the Capital Increase EGM will be considered to have been made solely on the basis of the information contained in this Circular, electronic copies of which can be obtained by visiting the Company's website (www.kaec.net), the Financial Advisor's website (www.alahlicapital.com), the CMA's website (www.cma.org.sa), or the Saudi Exchange's website (www.tadawul.com.sa).

The CMA and the Saudi Exchange assume no responsibility for the contents of this Circular, make no representations as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss resulting from the contents of this Circular or from reliance on any part thereof.

The information, data, and statements contained in this Circular are provided as of the date of this Circular, unless another date is specified for any of the information, data, or statements contained herein. Therefore, such information is subject to change. In particular, the financial position of the Company and the value of its shares may be adversely affected by future developments such as inflation, economic or political factors, or other factors beyond the Company's control (for further details, see Section 2 ("**Risk Factors**") of this Circular)). This Circular or any oral or written information relating to the Debt Conversion may not be taken as, interpreted or relied upon as a promise, confirmation, or acknowledgment regarding the realization of any revenues, results, or achieving any future events.

The Company will not amend or update any forward looking statement contained in this Circular, except as required by the applicable laws and regulations. The Company must prepare a supplementary circular and publish it after submitting it to the CMA and obtaining its approval, only when it becomes aware at any time after the date of publication of this Circular and before the convening of the Capital Increase EGM, of any of the following: (1) a significant change in material matters contained in this Circular, and (2) the emergence of any significant issues that should have been included in this Circular

The Company has appointed SNB Capital Company as the financial adviser and Zeyad Sameer Khoshaim Law Firm (Professional Limited Liability Company) as the legal adviser in relation to the Debt Conversion. Moreover, neither the financial advisor, the legal advisor, nor the auditors referred to in the "**Corporate Directory**" Section did not independently verify the correctness and accuracy of the information contained in this Circular. Accordingly, those advisors, their affiliates, directors or employees shall not be liable for any direct or indirect loss or damage that any person may incur due to their reliance on any information included in this Circular, or due to incorrect, inaccurate, or incomplete information contained in this Circular.

It should be noted that no person has been authorized to provide any information or make any statements on behalf of the Company's Board of Directors other than those expressly disclosed in this Circular. Accordingly, reliance should not be placed on any information or statements made by any other party as having been issued by the Company, SNB Capital, or any of the Company's advisors in relation to the Debt Conversion.

The information contained in this Circular is of a general nature and has been prepared without consideration of the individual investment objectives, financial situation, or specific investment needs of any particular shareholder. Therefore, the Company and its Board of Directors emphasize the importance of each shareholder reading and carefully reviewing all information contained in this Circular. In the event of any uncertainty regarding the decision to be made by any shareholder at the Capital Increase EGM, such shareholder should seek independent financial advice from a licensed financial advisor authorized by the CMA and rely on their own assessment to determine the suitability of the Debt Conversion and the information contained in this Circular in light of their individual investment objectives and financial circumstances.

This Circular does not constitute, and should not be considered as, legal, financial, Zakat, or tax advice. In the event of any uncertainty regarding the legal, financial, Zakat, or tax implications, consequences, or rulings, shareholders are advised to obtain specialized advice from licensed legal, financial, and tax advisors with respect to such matters.

Forward-looking Forecasts and Statements

This Circular contains certain forward-looking statements. Such forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as “anticipate”, “target”, “expect”, “estimate”, “intend”, “plan”, “will”, “believe”, “aim”, “may”, “would”, “could” or “should” or other words of similar meaning or the negative thereof. Forward-looking statements in this Circular include, without limitation, statements relating to the expected benefits from the Debt Conversion, the capital optimization plan, the expected timeline for events and others.

The forward-looking statements appearing in this Circular reflect the current point of view of the Company and its management. They are based on numerous assumptions, including assumptions regarding the present and future business strategies of the Company and the environment in which it will operate in the future. Forward-looking statements are not a promise, or a guarantee of future events given several, known and unknown, factors that may affect the future, causing it to be materially different from the expectations, expressed or implied, in this Circular. The risks and uncertainties relating to forward-looking statements are beyond the Company’s control and cannot be estimated precisely, such as future market conditions and the behaviors of other market participants. Therefore, the recipient of this Circular should read these forward-looking statements based on this notice but may not rely on such statements. For more details on the risks related to the Debt Conversion, please see Section (2) (“**Risk Factors**”), which shareholders should carefully review.

All oral or written forward-looking statements made by the Company or any person acting on its behalf are expressly qualified in their entirety by the Important Notice contained in this Section.

Restrictions on Publishing and Distributing the Circular

This Circular is addressed to the Company’s shareholders, subject to any restriction in the rules of any Restricted Jurisdiction. This Circular does not constitute a sale offer or purchase order for any securities to any person in any jurisdiction.

This Circular has been prepared in accordance with the laws and regulations applicable in the Kingdom of Saudi Arabia, and the type and presentation of information may differ if prepared under the laws of another jurisdiction. The Company does not intend to publish or register this Circular or the New Shares in any jurisdiction other than Saudi Arabia. The Debt Conversion relates to securities of a Saudi company listed on the Saudi Exchange, and therefore this Circular and any related documents or announcements have been and will be prepared solely in accordance with the disclosure requirements applicable in Saudi Arabia, which may differ from those in other jurisdictions.

Financial and other Information

The Company’s audited consolidated financial statements for the financial years ended 31 December 2022G, 2023G, and 2024G have been prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia, as well as other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA). All financial information is presented in Saudi Riyals unless otherwise disclosed.

The pro forma condensed consolidated financial information of the Company for the nine-month period ended 30 September 2024G has been prepared in accordance with applicable standards and the requirements set forth in Annex 19 of the Rules on the Offer of Securities and Continuing Obligations. The auditor has issued an independent practitioner’s assurance report on the compilation of the pro forma condensed consolidated financial information, in accordance with International Standard on Assurance Engagements (ISAE) 3420 – Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in the Circular – as endorsed in the Kingdom.

Figures presented in the financial statements, if aggregated, may differ from those disclosed in this Circular due to rounding. It should be noted that this Circular includes ratios and percentages that are approximate and presented for illustrative purposes only.

Company Directory

The Company

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Auditor for the financial years ended 31 December 2023G and 2024G and the nine-month period ending on 30 September 2024G, and the preparer of the limited assurance report regarding the pro forma condensed consolidated interim financial statements for the nine-months ended 30 September 2024G

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Auditor for the financial year ended 31 December 2022G

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Note: The above advisors and auditors have given and, as at the date of this Circular, have not withdrawn their written consent to the publication of their names, addresses, logos and the statements attributed to each of them (as applicable) in the context in which they appear in this Circular. Furthermore, none of their employees (from the team working on the Company's engagement) or their relatives hold any shares or interest in the Company or its subsidiaries that may affect their independence.

Circular Summary

This summary is intended to provide the Company's shareholders with an overview of the Debt Conversion through the Capital Increase. As such, reading this Section does not substitute reading the other sections of this Circular. Shareholders shall read this Section as an introduction to the Circular. Shareholders must read this Circular and the information contained herein carefully – especially “**Important Notice**” Section and Section 2 (“**Risk Factors**”) – before making any decision related to voting in the Capital Increase EGM.

Company's Name, Description and Incorporation Information	Emaar The Economic City, a Saudi listed joint stock company registered with the commercial register under unified number 7001503056 dated 06/03/1436H (corresponding to 28/12/2014G) with its headquarters in Rabigh, Kingdom of Saudi Arabia, and originally established pursuant to ministerial resolution no. 609 dated 15/04/1427H (corresponding to 13/05/2006G), with initial commercial registration no. 4030164269 dated 08/09/1427H (corresponding to 26/09/2006G) issued in Jeddah, Kingdom of Saudi Arabia, and then the Company's headquarters was relocated and its commercial registration was amended to become commercial registration no. 4602005884 dated 06/03/1436H (corresponding to 28/12/2014G) issued in Rabigh, Kingdom of Saudi Arabia, with current capital of five billion, two hundred and thirty-two million, five hundred and ninety-nine thousand and ninety (SAR 5,232,599,090) Saudi Riyals, divided into five hundred and twenty-three million, two hundred and fifty-nine thousand, nine hundred and nine (523,259,909) ordinary shares of equal value, each with a nominal value of ten (SAR 10) Saudi Riyals, all of which are listed on the Saudi Exchange.
The Company's Activities	The Company's main activity is to be the master developer of King Abdullah Economic City, and the King Abdullah Economic City project is centered around the construction of a multi-purpose city consisting of several main areas, namely the seaport, the industrial zone, the central business district, resorts, and residential neighborhoods. According to its commercial register, the Company's activities are: (1) general construction of residential buildings, and (2) general construction of non-residential buildings (e.g. schools, hospitals, hotels). The activities according to the Company's Bylaws include: - Real estate auctions - Possessing real estate and movables required for holding companies - Real estate financing - Real estate refinancing - Buying, selling and subdividing of land and real estate, and on-the-map selling activities - Management and leasing of real estate with own or leased property (residential) - Management and leasing of real estate with own or leased property (non-residential) - Residential real estate development using modern construction method - Commercial real estate development using modern construction methods - Real estate brokerage - Intermediation in real estate management - Real property registration services - Real estate consultancy - Marketing of tourism real estate by time share - Owners' association of joint properties - Men's sports halls and centers - Women's sports halls and centers - Relaxation and personal care centers - Hotels - Motels - Heritage hotels The Company has seven Subsidiaries, six of which are wholly owned (100%) directly and indirectly, namely: 1. Economic City Investments Company: A limited liability company, registered with the commercial register under unified no. 7009120101 dated 22/11/1431H (corresponding to 30/10/2010G), with a capital of five hundred thousand (SAR 500,000) Saudi Riyals. Its activities focus on the purchase, sale, and management of real estate properties, as well as the operation of educational and technical institutions. 2. Industrial Zones Development Company: A limited liability company, registered with the commercial register under unified no. 7009131140 dated 28/05/1432H (corresponding to 02/05/2011G), with a capital of five hundred thousand (SAR 500,000) Saudi Riyals. Its activities focus on the sale, leasing, management, investment, and development of residential and non-residential properties under development. 3. Economic City Real Estate Operation and Management Company: A limited liability company, registered with the commercial register under unified no. 7009115465 dated 09/01/1435H (corresponding to 12/11/2013G), with a capital of five hundred thousand (SAR 500,000) Saudi Riyals. Its activities focus on the operation of hotels, centers, restaurants, and conferences.

The Company's Activities	4. Economic City Pioneer Real Estate Management Company: A limited liability company, registered with the commercial register under unified no. 7009128641 dated 09/01/1435H (corresponding to 12/11/2013G), with a capital of five hundred thousand (SAR 500,000) Saudi Riyals. Its activities focus on the establishment, management, development, operation, and leasing of residential properties.				
	5. Economic City Real Estate Development Company: A limited liability company, registered with the commercial register under unified no. 7009142204 dated 09/01/1435H (corresponding to 12/11/2013G), with a capital of five hundred thousand (SAR 500,000) Saudi Riyals. Its activities focus on owning, purchasing, investing, developing, and marketing properties under development in KAEC.				
	6. Emaar Knowledge Company: A limited liability company, registered with the commercial register under unified no. 7009417440 dated 06/01/1437H (corresponding to 19/10/2015G), with a capital of ten million (SAR 10,000,000) Saudi Riyals. Its activities focus on the management of colleges and university institutes.				
	The seventh subsidiary is Port Development Company, in which the Company holds a 50% stake. It is a closed joint-stock company, registered with the commercial register under unified no. 7007733566 dated 03/09/1431H (corresponding to 13/08/2010G), with a capital of five billion two hundred and ten million (SAR 5,210,000,000) Saudi Riyals. Its activities focus on executing contracts and managing, developing, maintaining, operating, financing, and investing in King Abdullah Port, as well as providing and implementing all necessary services for the management and operation of the port and its facilities.				
Substantial Shareholders and their Current Ownership	The Company currently has three Substantial Shareholders, and the following table illustrates their current ownership percentages based on the shareholders' register as of 01/01/1447H (corresponding to 26/06/2025G):				
	Shareholder		Number of Shares		Ownership (%)
	The Public Investment Fund		130,814,977		25%
	Dayim Modern Real Estate Management Co		62,329,489		11.912%
	ME Royal Capital LLC		36,935,993		7.059%
	Total		230,080,459		43.97%
The Ownership of the Lender and the Public before and after the Debt Conversion	The following table illustrates the ownership of Substantial Shareholders, including the Lender, and the ownership of the Public in the Company before and after the Capital Increase, based on the shareholders' register as of 01/01/1447H (corresponding to 26/06/2025G):				
	Shareholder(s)	Before the Capital Increase		After the Capital Increase	
		No. of Shares	Ownership (%)	No. of Shares	Ownership (%)
	The Public Investment Fund	130,814,977	25%	490,484,973	55.55%
	Dayim Modern Real Estate Management Co.	62,329,489	11.912%	62,329,489	7.059%
	ME Royal Capital LLC ⁽¹⁾	36,935,993	7.059%	36,935,993	4.183%
	ME Strategic Investments (p.s.Y.M.M) ⁽¹⁾	23,084,995	4.410%	23,084,995	2.615%
	ME Holdings (S.A.Y.M.M) ⁽¹⁾	23,084,995	4.410%	23,084,995	2.615%
	ME Partners ⁽¹⁾	21,238,191	4.060%	21,238,191	2.405%
	Emaar Middle East Company ⁽¹⁾	23,084,995	4.410%	23,084,995	2.615%
	Board Members and Senior Executives of the Issuer ⁽²⁾	22,716	0.004%	22,716	0.003%
	Abdulla Mohammed Yamani (owns 50% of, and a board member in, Dayim Modern Real Estate Management Co.)	16,159	0.003088%	16,159	0.001830%
	The Public	202,647,399	38.7%	202,647,399	22.952%
	Total	523,259,909	100%	882,929,905	100.000%
	⁽¹⁾ All of these entities are ultimately controlled by Emaar Properties PJSC. It should be noted that ME Royal Capital LLC will no longer be considered a Substantial Shareholder following the Capital Increase, as its direct ownership will fall below 5%. However, it will continue to be classified as a non-Public shareholder due to joint control with the aforementioned entities.				
⁽²⁾ Ownership figures reflect direct holdings only. Board members do not hold any indirect interests through Controlled entities or Relatives.					
The Company's Capital	Five billion, two hundred and thirty-two million, five hundred and ninety-nine thousand and ninety (SAR 5,232,599,090) Saudi Riyals.				

The Company's Total Shares	Five hundred and twenty-three million, two hundred and fifty-nine thousand, nine hundred and nine (523,259,909) ordinary shares.
The Company's Share's Nominal Value	Ten (SAR 10) Saudi Riyals.
Total New Shares	Three hundred fifty-nine million, six hundred sixty-nine thousand, nine hundred ninety-six (359,669,996) new ordinary shares.
New Shares as a Percentage of the Company's Current Share Capital	The New Shares represent 68.74% of the Company's current capital.
Conversion Formula	The number and value of the New Shares have been determined based on the conversion formula agreed between the Company and the Lender, which provides for a 25% discount to the volume-weighted average price of the Company's shares for the twelve (12) months preceding the trading day prior to the date of the notice convening the Capital Increase EGM, subject to a minimum price of ten (SAR 10) Saudi Riyals per share, and adjusting for any change in the share capital as applicable during this twelve (12)-month period. As the pricing date is 09/06/1447H (corresponding to 30/11/2025G), being the day prior to publishing the invite of the Extraordinary General Assembly, the agreed share price is (SAR 11.45) Saudi Riyals per share. Based on the agreed issue price and the total Debt amount, the number of New Shares has been determined, comprising (359,669,996) New Shares.
Issue Price	The issue price of the new shares will be determined based on the Conversion Formula agreed upon between the Company and the Lender, which provides for a 25% discount to the volume-weighted average price (VWAP) of the Company's shares for the twelve (12) months preceding the trading day prior to the date of the notice convening the Capital Increase EGM, subject to a minimum price of ten (SAR 10) Saudi Riyals per share, and adjusting for any change in the share capital as applicable during this twelve (12)-month period.
Total Issue Value	The total nominal value of the New Shares amounts to (SAR 3,596,699,960) Saudi Riyals. The difference between the nominal value of the New Shares and the total amount of the Debt will be recorded as a share premium under the equity section of the Company's statement of financial position.
Description of the debt conversion, the identity of the lender, and the key related details	The Debt Conversion process consists of the issuance of three hundred fifty-nine million, six hundred sixty-nine thousand, nine hundred ninety-six (359,669,996) new ordinary shares issued to PIF in consideration of the release of the Debt due by the Company to the PIF (as the Lender) amounting to four billion one hundred and eighteen million two hundred and twenty-one thousand four hundred and sixty-four (SAR 4,118,221,464.63) Saudi Riyals and sixty-three halalas, through the increase of the Company's capital from five billion two hundred and thirty-two million five hundred ninety-nine thousand and ninety (SAR 5,232,599,090) Saudi Riyals, divided into five hundred and twenty-three million two hundred and fifty-nine thousand nine hundred nine (523,259,909) ordinary shares into eight billion, eight hundred twenty-nine million, two hundred ninety-nine thousand, fifty (SAR 8,829,299,050) Saudi Riyal divided into eight hundred eighty-two million, nine hundred twenty-nine thousand, nine hundred and five (882,929,905) ordinary shares, with an increase in the current capital of Sixty-eight point seventy-four percent (68.74%), after obtaining the necessary regulatory approvals and the approval of the Company's Extraordinary General Assembly (for more details, please refer to Section 3 (" Debt Conversion Through Capital Increase ").
Debt Conversion Structure	The Debt will be converted through the issuance of new shares to the PIF pursuant to the Conversion Formula, by increasing the Company's capital from five billion two hundred and thirty-two million five hundred and ninety-nine thousand and ninety (SAR 5,232,599,090) Saudi Riyals, divided into five hundred and twenty-three million two hundred and fifty-nine thousand nine hundred and nine (523,259,909) ordinary shares into eight billion, eight hundred twenty-nine million, two hundred ninety-nine thousand, fifty (SAR 8,829,299,050) Saudi Riyals, divided into eight hundred eighty-two million, nine hundred twenty-nine thousand, nine hundred and five (882,929,905) ordinary shares, pursuant to Article (59) of the Rules for the Offering of Securities and Continuing Obligations.
Purpose of the Debt Conversion	The Debt Conversion forms one of the key pillars of the capital optimization plan announced by the Company on 05/03/1446H (corresponding to 08/09/2024G), aimed at enhancing its ability to move forward with the implementation of its growth plans. For further details on the reasons for the Debt Conversion, please refer to Section (3.2) (" Rationale for the Debt Conversion ").
Related Parties	The PIF is considered a related party, as it is one of the Substantial Shareholders of the Company, currently owning 25% of the Company's capital. After the issuance of the New Shares through Debt Conversion, the PIF will own a percentage of (55.55%) of the Company's capital after the Capital Increase. It should also be noted that certain members of the Board have an interest in the Debt Conversion and have declared their interest and abstained from voting on the Debt Conversion. These members are: (a) Fahad Abduljaleel Alsaiif, (b) Naif Saleh Alhamdan, and (c) Mansour Abdulrahman Al-Salem, due to their employment at the PIF. Please check Section (3.7) ("Related Parties and Board Members with an Interest in the Debt Conversion") for more details on the ownership of the Directors.

Key Steps Required for the Capital Increase and the Listing of New Shares	The key steps for the Capital Increase and the listing of New Shares and completion of all related procedures are as follows: - The approval of the CMA for the registration and offering of the New Shares. - The approval of the Saudi Exchange for the listing of the New Shares. - The non-objection from the Ministry of Commerce regarding the proposed amendments to the Company's Bylaws related to the Capital Increase. - The approval of the CMA to publish the invitation to convene the Capital Increase EGM. - The publication of the invitation to convene the Capital Increase EGM. - The approval of the Transaction Resolutions by the required majority of the Company's shareholders at the Capital Increase EGM. - The issuance of the New Shares, and their deposit in the PIF's portfolio, and listing them on the Saudi Exchange. - The deposit of the amended Bylaws with the Ministry of Commerce and updating the commercial register to reflect the Capital Increase. - The amendment of the license of the Economic Cities and Special Zones Authority to reflect the Capital Increase and the Debt Conversion.
New Shares Dividends Entitlement	All shares of the Company are of the same class and no share grants its holder preferential rights. The New Shares will be issued of the same class of the Company's current shares and with the same rights, including the right to receive dividends declared by the Company in accordance with the entitlement date of the relevant dividends.
Approvals Required for Capital Increase	The Debt Conversion and the Capital Increase are conditional upon obtaining a number of approvals as follows: - The approval of the CMA for the registration and offering of the New Shares. This approval was obtained on 22/05/1447H (corresponding to 13/11/2025G). - The approval of the Saudi Exchange for the listing of the New Shares. This approval was obtained on 15/05/1447H (corresponding to 06/11/2025G). - The non-objection from the Ministry of Commerce regarding the proposed amendments to the Company's Bylaws related to the Capital Increase. This non-objection was obtained on 28/05/1447H (corresponding to 19/11/2025G). - The approval of the CMA to publish the invitation to convene the Capital Increase EGM. The invitation has been published on the Saudi Exchange's website on 10/06/1447H (corresponding to 01/12/2025G). - The approval of the requisite majority of the Company's shareholders on the Transaction Resolutions at the Capital Increase EGM.
Voting Rights for New Shares	All shares of the Company are of the same class and no share grants its holder preferential rights. The New Shares will be issued of the same class of the Company's current shares and with the same rights, including voting rights in accordance with the Companies Law and the Company's Bylaws.
Restrictions on the New Shares	There are no restrictions imposed on the New Shares, and they are subject to the rules and regulations applicable to all shares listed on the Saudi Exchange. It is worth noting that the PIF may not dispose of any of its shares (whether existing shares or the New Shares) during the six (6) months following the listing of the New Shares without the prior approval of the CMA and in accordance with the conditions it prescribes.

Note: The Capital Increase is subject to the approval of the shareholders at the Capital Increase EGM.

key dates and milestones of the debt conversion

The table below outlines the expected timeline of the key events related to the Debt Conversion. The dates below are approximate, and the Company (or the Saudi Exchange or Edaa, as the case may be) will announce the actual events that must be announced according to the relevant laws and regulations including any changes that may be made to the timetable.

Event	Date
1. Required procedures related to the Capital Increase EGM	
The approval of the CMA of the application to register and offer the New Shares through the Debt Conversion.	22/05/1447H (corresponding to 13/11/2025G)
The announcement on the Saudi Exchange's website of the invitation to convene the Capital Increase EGM, with reference to the possibility of holding a second meeting one hour after the end of the scheduled time for the first meeting, in the event that the required quorum is not met.	10/06/1447H (corresponding to 01/12/2025G)
Publication of the Shareholders' Circular.	11/06/1447H (corresponding to 02/12/2025G)
Availability of documents for inspection.	11/06/1447H (corresponding to 02/12/2025G) (during working days and hours from 10am to 3pm)
The commencement of the electronic voting period for the Transaction Resolutions.	••/••/••••H (corresponding to ••/••/••••G)
The Capital Increase EGM (first meeting) – the quorum of the assembly is met with the attendance of the shareholders representing at least half of the Company's shares with voting rights.	
If the required quorum is not met, a second meeting will be convened one hour after the end of the period set for the first meeting. The second meeting shall be valid if shareholders representing at least one-quarter of the Company's voting shares are present.	••/••/••••H (corresponding to ••/••/••••G)
Announcement of the results of the Capital Increase EGM or failure to convene the meeting (in case the quorum is not met).	••/••/••••H (corresponding to ••/••/••••G)
2. Procedures required in case the quorum is not met for the second Debt Conversion EGM	
Invitation to the third meeting of the Debt Conversion EGM (in the event that the quorum is not met in the first and second meetings).	••/••/••••H (corresponding to ••/••/••••G)
The commencement of the electronic voting period for the Transaction Resolutions.	••/••/••••H (corresponding to ••/••/••••G)
Convening the Capital Increase EGM (third meeting) – The third meeting will be deemed valid regardless of the number of voting shares represented therein.	••/••/••••H (corresponding to ••/••/••••G)
The announcement of the results of the Capital Increase EGM.	••/••/••••H (corresponding to ••/••/••••G)
3. Required actions following the approval of the Capital Increase EGM	
Issuance and listing of the New Shares, and depositing them in the Lender's portfolio.	The New Shares will be issued and deposited in the Lender's portfolio within one week from the date of the Capital Increase EGM of the Transaction Resolutions. This will occur no later than ••/••/••••H (corresponding to ••/••/••••G) if the approval is granted in the first or second meeting, and no later than ••/••/••••H (corresponding to ••/••/••••G) if the approval is granted in the third meeting.
Submission of the Capital Increase EGM's minutes to the CMA.	Within 10 days from the Capital Increase EGM's approval on the Transaction Resolutions. This will occur no later than ••/••/••••H (corresponding to ••/••/••••G) if the approval is granted in the first or second meeting, and no later than ••/••/••••H (corresponding to ••/••/••••G) if the approval is granted in the third meeting.

Event	Date
Publication and deposit of the Company's amended Bylaws, and updating the commercial register to reflect the Capital Increase.	Within 15 days from the Capital Increase EGM's approval on the Transaction Resolutions. This will occur no later than ••/••/••••H (corresponding to ••/••/••••G) if the approval is granted in the first or second meeting, and no later than ••/••/••••H (corresponding to ••/••/••••G) if the approval is granted in the third meeting.

TABLE OF CONTENTS

1. Definitions	1
2. Risk Factors	4
2.1 Commercial and Legal Risks Related to the Debt Conversion	4
2.2 Risks Related to Changes in Shareholder Ownership, Voting Power, and Lender Control	7
2.3 Risks Related to the Issuance of New Shares	8
3. Debt Conversion Through Capital Increase	9
3.1 Overview of the Debt Conversion	9
3.2 Rationale for the Debt Conversion	9
3.3 Impact of the Debt Conversion on the Company and Its Shareholders	9
3.4 Changes in the Board of Directors or Executive Management Resulting from the Debt Conversion	10
3.5 Board of Directors and Their Ownership	10
3.6 Ownership structure before and after the Debt Conversion	11
3.7 Related Parties and Board Members with an Interest in the Debt Conversion	12
3.8 Proposed Timetable for the Debt Conversion	12
4. Debt Valuation	14
4.1 Valuation of the Debt and the New Shares	14
4.2 Analysis of the Increase or Decrease in Earnings per Share Resulting from the Capital Increase	16
4.3 Company Share Price Performance During the Previous Year	16
5. Consolidated Financial Information	17
5.1 Pro-forma condensed consolidated statement of financial position (In thousands of Saudi Riyals)	18
5.2 Unaudited pro forma condensed consolidated statement of profit or loss and other comprehensive income (In thousands of Saudi Riyals)	20
5.3 Unaudited pro forma condensed consolidated statement of cash flows (In thousands of Saudi Riyals)	21
5.4 Comparison of the issuer's financial and key performance indicators in the pro forma financial statements and the actual financial statements for the nine-month period ended 30 September 2024G	22
5.5 Audited consolidated financial statements for the previous three years	23

6. Legal Information	27
6.1 Board of Directors' Declarations	27
6.2 Origin of the Debt	27
6.3 Regulatory Approvals and Other Required Consents to Complete the Debt Conversion	30
6.4 Material Disputes	30
6.5 Bankruptcy	30
6.6 insolvency	30
7. Expert Statements	31
8. Expenses	32
9. Waivers	33
10. Documents Available for Inspection	34
11. Appendices	35
11.1 Consolidated financial statements for the financial years ended 31 December 2022G, 2023G, and 2024G.	36
11.2 Condensed pro forma consolidated financial information of the Company for the nine-month period ended 30 September 2024G.	356
11.3 Proposed amendments to the Bylaws.	381

TABELS

Table 3.1: The Board Ownership Before and After the Debt Conversion	10
Table 3.2: The Company's Ownership Structure Before and After the Debt Conversion	11
Table 3.3: Related Party and Conflicted Directors Ownership	12
Table 3.4: Proposed Timetable of the Debt Conversion and Key Steps	12
Table 4.1: Statement of the Amount by which the Company's Capital Will Increase Using the Hypothetical Share Issue Price Applied for the Preparation of the Pro Forma Financial Statements	14
Table 4.2: Illustration of the Number of New Shares to Be Issued to the Lender (the PIF) as a Result of the Debt Conversion Using the Hypothetical Share Issue Price Applied for the Preparation of the Pro Forma Financial Statements	14
Table 4.3: Illustration of the Impact of the Debt Conversion on the Share Price Using the Issue Price Applied for the Preparation of the Pro Forma Financial Statements	15
Table 4.4: Illustration of the Impact of Debt Conversion on Share Price Using the Issue Price Applied for the Preparation of Pro Forma Financial Statements	15
Table 4.5: Analysis of the Increase or Decrease in Earnings per Share Resulting from the Capital Increase	16
Table 4.6: Company's Share Price Performance During the Previous Year	16
Table 6.1: Repayment Schedule of the MOF Loan Payable to the PIF	28
Table 6.2: Summary of the Debt Conversion Agreement	28
Table 6.3: List of Material Legal Proceedings	30

1. Definitions

The following terms shall have the meaning ascribed to them below – wherever used in this Circular - unless the context requires otherwise.

Debt Conversion Agreement	The agreement entered into between the Company and the PIF on 04/03/1446H (corresponding to 07/09/2024G), pursuant to which the Debt will be converted to the New Shares, and the addendums to the agreement executed on 09/09/1446H (corresponding to 09/03/2025G) and 03/03/1447H (corresponding to 26/08/2025G).
PIF Loan Agreement	The loan agreement entered into between the PIF and the Company on 28/07/1444H (corresponding to 19/02/2023G), and its amendments and annexes.
MOF Loan Agreement	The loan agreement entered into between the Company and the Ministry of Finance on 20/06/1432H (corresponding to 23/05/2011G), and amended on 02/12/1436H (corresponding to 15/09/2015G), which was novated by the Ministry of Finance in favor of the PIF on 02/03/1446H (corresponding to 05/09/2024G).
Shares	The shares of the Company, which are currently five hundred and twenty-three million, two hundred and fifty-nine thousand, nine hundred and nine (523,259,909) ordinary shares
New Shares	Three hundred fifty-nine million, six hundred sixty-nine thousand, nine hundred ninety-six (359,669,996) ordinary shares to be issued pursuant to the Capital Increase.
Edaa	The Securities Depository Center Company (Edaa).
Completion Date	At 10 a.m. on the day the New Shares are listed and trading begins, which would be after the Capital Increase EGM's approval on the Transaction Resolutions
Debt Conversion	The issuance of the New Shares (as defined herein) to the PIF in exchange for releasing the Debt (as defined here).
Circular	This Circular prepared by the Company in connection with the Debt Conversion.
General Assembly	The general assembly of the Company, whether ordinary or extraordinary, convened in accordance with the Companies Law and the Company's Bylaws.
Capital Increase EGM	The extraordinary general assembly of the Company's shareholders convened to vote on the Transaction Resolutions.
Debt	Four billion one hundred and eighteen million two hundred and twenty-one thousand four hundred and sixty-four (SAR 4,118,221,464.63) Saudi Riyals and sixty-three halalas, representing amounts due under (a) the PIF Loan Agreement and (b) the MOF Loan Agreement, novated to the PIF. This includes principal, interest, and fees, excluding any interest or fees accruing after 31 December 2024G.
"Saudi Riyal" or "SAR"	Saudi Riyal, the official currency of the Kingdom of Saudi Arabia.
Capital Increase	The increase of the Company's capital from five billion two hundred and thirty-two million five hundred ninety-nine thousand and ninety (SAR 5,232,599,090) Saudi Riyals, divided into five hundred and twenty-three million two hundred and fifty-nine thousand nine hundred and nine (523,259,909) ordinary shares into eight billion, eight hundred twenty-nine million, two hundred ninety-nine thousand, fifty (SAR 8,829,299,050) Saudi Riyal divided into eight hundred eighty-two million, nine hundred twenty-nine thousand, nine hundred and five (882,929,905) ordinary shares, for the purpose of the Debt Conversion.
Saudi Exchange	The Saudi Stock Exchange (Tadawul), which is the market where securities are traded in the Kingdom, and which is managed and operated by Saudi Exchange Company and regulated by the CMA. Depending on the context, it may also refer to the Saudi Exchange Company itself, which is a wholly owned subsidiary of the Saudi Tadawul Group and is the entity responsible for operating the exchange.
Control	The ability to influence the actions or decisions of another person, directly or indirectly, alone or with a relative or affiliate, through (a) ownership of 30% or more of voting rights, or (b) the right to appoint 30% or more of the administrative body. The term "controller" shall be interpreted accordingly.
Subsidiary	Any company controlled by the Issuer, where "control" means the ability to influence the actions or decisions of another person, directly or indirectly, alone or with a relative or affiliate, through (a) ownership of 30% or more of voting rights, or (b) the right to appoint 30% or more of the administrative body. The term "controller" shall be interpreted accordingly.
"PIF" or "Lender"	The Public Investment Fund, which bylaws were issued under Royal Decree No. (M/92) dated 12/08/1440H (corresponding to 17/04/2019G), headquartered in Riyadh, Saudi Arabia.

Related Party	Means any of the following: 1. Affiliates of the Issuer, except for companies wholly owned by the Issuer; 2. Substantial Shareholders of the Issuer; 3. Board members and senior executives of the Issuer; 4. Board members of affiliates of the Issuer; 5. Board members and senior executives of Substantial Shareholders of the Issuer; 6. Any relatives of the persons referred to in (1, 2, 3 or 5) above; and 7. Any other company or establishment controlled by a person referred to in (1, 2, 3, 5, or 6) above.
Transaction Resolutions	The following agenda items related to the Debt Conversion, which will be presented at the Capital Increase EGM: 1. increasing the Company's capital through the Debt Conversion; 2. authorizing the members of the Board of Directors of the Company to take all necessary actions to complete the Debt Conversion; 3. the terms of the Debt Conversion Agreement; 4. the proposed amendments to the Company's Bylaws related to the Capital Increase; and (5) the authorization of the indirect interest of the conflicted Board members (being (a) Fahad Abduljaleel Alsaif, (b) Naif Saleh Alhamdan, and (c) Mansour Abdulrahman Al-Salem, due to their employment by the PIF).
PIF Loan	The loan owed by the Company under the PIF Loan Agreement.
Ministry of Finance Loan	The loan owed by the Company under the MOF Loan Agreement.
Relative	Spouse and minor children.
Listing Rules	The Listing Rules issued by the CMA's board pursuant to resolution no. (3-123-2017) dated 09/04/1439H (corresponding to 27/12/2017G), as amended.
Rules on the Offer of Securities and Continuing Obligations	The Rules on the Offer of Securities and Continuing Obligations issued by the CMA's board pursuant to resolution no. (3-123-2017) dated 09/04/1439H (corresponding to 27/12/2017G), as amended.
Pro Forma Financial Statements	The condensed consolidated pro forma financial information of the Company for the nine-month period ended 30 September 2024G, reflecting the financial position as if the Debt Conversion had occurred.
Corporate Governance Regulations	The Corporate Governance Regulations issued by the CMA's board pursuant to resolution no. (8-16-2017) dated 16/05/1438H (corresponding to 13/02/2017G), as amended.
"Board of Directors" or "Board"	The board of directors of the Company.
King Abdullah Economic City	A Saudi economic city established in 2005G in Rabigh, Makkah Province, which the Company serves as the master developer of.
Auditor	KPMG Professional Services for the financial years ending 31 December 2023G and 2024G, and PricewaterhouseCoopers Public Accountants for the financial year ending 31 December 2022G.
Shareholder(s)	The shareholders of the Company from time to time.
Substantial Shareholder	A person holding 5% or more of the Company's shares.
Legal Advisor	Zeyad Sameer Khoshaim Law Firm (Professional Limited Liability Company).
Financial Advisor	SNB Capital Company.
"Issuer" or the "Company"	Emaar The Economic City, a Saudi listed joint stock company registered with the commercial register under unified number 7001503056 dated 06/03/1436H (corresponding to 28/12/2014G) with its headquarters in Rabigh, Kingdom of Saudi Arabia, and originally established pursuant to ministerial resolution no. 609 dated 15/04/1427H (corresponding to 13/05/2006G), with initial commercial registration no. 4030164269 dated 08/09/1427H (corresponding to 26/09/2006G) issued in Jeddah, Kingdom of Saudi Arabia, and then the Company's headquarters was relocated and its commercial registration was amended to become commercial registration no. 4602005884 dated 06/03/1436H (corresponding to 28/12/2014G) issued in Rabigh, Kingdom of Saudi Arabia
Conversion Formula	The conversion formula agreed between the Company and the Lender, which is: a 25% discount to the volume-weighted average price of the Company's shares on the Saudi Exchange for the twelve (12) months preceding the trading day prior to the date of the notice convening the Capital Increase EGM, subject to a minimum price of ten (SAR 10) Saudi Riyals per share, and adjusting for any change in the share capital as applicable during this twelve (12)-month period.

Kingdom	The Kingdom of Saudi Arabia.
Companies Law	The Companies Law issued pursuant to Royal Decree no. (M/132) dated 01/12/1443H (corresponding to 30/06/2022G), as amended.
CMA	The Capital Market Authority of the Kingdom of Saudi Arabia.
ECZA	The Economic Cities and Special Zones Authority of the Kingdom of Saudi Arabia.
Ministry of Commerce	The Ministry of Commerce of the Kingdom of Saudi Arabia.
Ministry of Finance	The Ministry of Finance of the Kingdom of Saudi Arabia.
Business Day	Any day other than Friday, Saturday, and official public holidays in the Kingdom of Saudi Arabia.

2. Risk Factors

The Company's shareholders must carefully read and consider this Section, as well as all other sections and information contained in this Circular, before making any decision regarding the Transaction Resolutions at the Capital Increase EGM. It should be noted that the risks outlined below do not encompass all risks related to the Debt Conversion, as there may be additional risks beyond those listed in this section that could adversely affect the Company and the Debt Conversion but are not known to the Board currently or are not considered material as of the date of this Circular.

The risk factors mentioned below focus solely on the material risks related to the Debt Conversion and the issuance of the New Shares. Accordingly, it does not include risk factors related to the Company, its operations, or its financial or operational condition before or after the Debt Conversion, nor other factors that may affect the Company, the sector, or the market independently of the Debt Conversion. The Directors of the Company acknowledge that, to the best of their knowledge and belief, there are no other material risks other than those mentioned in this Section related to the Debt Conversion and the issuance of the New Shares that would materially affect shareholders' voting decisions on the Transaction Resolutions.

The materialization of the risks outlined in this Section will negatively impact the expected benefits of the Debt Conversion, as well as the Company's business, financial position, operating results, cash flows, and future prospects, and the profitability of its shares after completing the Debt Conversion. Additionally, the materialization of any other risks other than those outlined below (either due to them not being known to the Board, or that the Board did not consider them material currently) may also negatively impact the ability to realize the expected benefits of the Debt Conversion, as well as negatively impact the Company's business, financial position, operating results, cash flows, and future prospects, and the profitability of its shares after completing the Debt Conversion.

In case any of the Company's shareholders have any doubts regarding the content of this Circular, the Debt Conversion, or the procedures to be followed or how to vote on the Transaction Resolutions, they should consult an independent financial advisor licensed by the CMA.

The categorization of risks in the categories below does not limit the expected impact of any of any specific risk, nor does the order in which the risks are presented reflect their relative importance, likelihood of occurrence, or expected impact.

2.1 Commercial and Legal Risks Related to the Debt Conversion

2.1.1 Risks Related to the Conversion Formula

The number and value of the New Shares have been determined based on the conversion formula agreed between the Company and the Lender, which provides for a 25% discount to the volume-weighted average price of the Company's shares for the twelve (12) months preceding the trading day prior to the date of the notice convening the Capital Increase EGM, subject to a minimum price of ten (SAR 10) Saudi Riyals per share, and adjusting for any change in the share capital as applicable during this twelve (12)-month period. As the pricing date is 09/06/1447H (corresponding to 30/11/2025G), being the day prior to publishing the invite of the Extraordinary General Assembly, the agreed share price is (SAR 11.45) Saudi Riyals per share. Based on this price and the total Debt amount, the number of New Shares was determined, which is (359,669,996) New Shares.

This formula was agreed upon following extensive negotiations with the Lender and does not necessarily reflect the book value, market value, or any other valuation of the Company's shares. Rather, it represents a commercially acceptable solution for both parties. Furthermore, the formula was determined based on a set of assumptions, expectations, and foundations prevailing at or prior to the date of this Circular, including-without limitation-the Company's share price, financial information, financial forecasts, and assumptions regarding the Company's performance and future plans following the completion of the Debt Conversion. Should any of the information, assumptions, or expectations relied upon in determining the Conversion Formula prove to be inaccurate or incomplete, or should any unforeseen factors arise-including changes in the Company's financial condition, significant fluctuations in the share price between the pricing date and the Completion of the Debt Conversion (due to market volatility, business management, delays in Completion, or changes in operational performance), or political, economic, regulatory, or other developments that may affect the Company's business and share price-this may materially impact the valuation of the Company. As a result, the agreed Conversion Formula may not reflect the fair value of the Company at the time of the Capital Increase EGM or upon Completion of the Debt Conversion, which could lead to the issuance of a greater number of shares to the PIF. This, in turn, may dilute the value of the shares held by existing shareholders, reduce their voting power and entitlement to dividends (if distributed), and potentially have a negative impact on the Company's share price following the completion of the Debt Conversion.

2.1.2 Risks Related to Failure to Achieve the Main Objective of the Debt Conversion

The Debt Conversion represents one of the key pillars of the capital optimization plan announced by the Company on 05/03/1446H (corresponding to 08/09/2024G). It is intended to enhance the Company's ability to advance its growth strategy by improving its liquidity ratios and credit profile, thereby strengthening its financial solvency in relation to its financial obligations and increasing its capacity to achieve its growth objectives. For further details on the rationale for the Debt Conversion, please refer to Section (3.2) ("**Rationale for the Debt Conversion**").

The Company's ability to realize the intended benefits of the Debt Conversion depends on several factors, including-but not limited to-avoiding any delays or challenges in completing the Debt Conversion, and successfully implementing its transformation plans with respect to both its debt structure and growth initiatives. In addition, the realization of such benefits is subject to external factors beyond the Company's control, including unforeseen events such as significant changes in the regulatory and operational environment in which the Company operates, as well as fluctuations in the real estate market, broader market conditions, and the overall commercial, political, and economic landscape in the Kingdom.

As of 31 December 2024G, the Company's total outstanding loans amounted to SAR 8,033 million, of which SAR 4,118 million (representing 51.22% of total loans) is subject to conversion under the Debt Conversion. There is no assurance that the Debt Conversion will be sufficient to support the Company's long-term cash flows resulting from existing operations and capital investments, or that it will enable the Company to distribute future dividends, or to secure bank loans and other external financing required to fund its ongoing operations and long-term capital expenditures on favorable terms and in a timely manner.

If the anticipated benefits of the Debt Conversion are not realized in the manner anticipated, or are not realized at all, this could have a negative impact on the Company's business, financial position, operating results, future outlook, share profitability, and credit standing following the Completion of the Debt Conversion.

2.1.3 Risks Related to Termination of the Debt Conversion Agreement

The Company entered into the Debt Conversion Agreement with the PIF on 04/03/1446H (corresponding to 07/09/2024G), and the addendums to the agreement entered into on 09/09/1446H (corresponding to 09/03/2025G) and on 03/03/1447H (corresponding to 26/08/2025G). For further details, please refer to Section 6.2 ("**Origin of the Debt**"). The Debt Conversion Agreement includes a number of terms and conditions, such as obtaining the approvals of the CMA, the Saudi Exchange, and the Capital Increase EGM on the Transaction Resolutions.

Under the terms of the Debt Conversion Agreement, the PIF has the right to terminate the agreement in certain circumstances, including material breach by the Company, suspension of the Company's shares, or the Company becoming subject to bankruptcy proceedings (such as preventive settlement, financial reorganization, liquidation, or administrative liquidation), force majeure events, and others. Accordingly, there is a risk that the PIF may terminate the Debt Conversion Agreement and halt the Debt Conversion, which would prevent the Company from proceeding with the transaction and realizing its intended benefits, potentially having a negative impact on the Company's business, financial position, operating results, and future outlook.

2.1.4 Risks Related to the Going Concern Assumption Disclosed in the Consolidated Financial Statements

As disclosed in the Company's consolidated financial statements for the financial year ended 31 December 2024G, the Company and its subsidiaries' current liabilities exceeded their current assets by SAR 7,750 million. These events and conditions, along with other matters disclosed in Note (1) to the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. The Debt Conversion may not be sufficient to eliminate this uncertainty, and the Company may continue to face such conditions in the future, which could negatively affect its liquidity and credit profile.

2.1.5 Zakat and Tax Risks

According to the Company's condensed consolidated pro forma financial information for the nine-month period ended 30 September 2024G, the Debt Conversion is expected to result in a Zakat provision of SAR 6.9 million. For further details, please refer to Section (5) ("**Consolidated Financial Information**").

The Zakat provision cannot be determined with certainty, and the Zakat, Tax and Customs Authority may impose additional taxes or issue rulings or interpretations that alter the Company's Zakat and tax position. As a result, the Company may incur unexpected Zakat or tax liabilities, which could negatively affect its financial position and share price.

2.1.6 Risks Related to the Company's Financing Obligations

The Company has existing facilities with Alinma Bank, The Saudi Awwal Bank, Banque Saudi Fransi, and The Saudi National Bank, which were rescheduled at the end of April 2025G. The rescheduling and amendment of these facilities form part of the capital optimization plan announced by the Company on 05/03/1446H (corresponding to 08/09/2024G), alongside the Debt Conversion and other measures.

The Company's indebtedness requires it to maintain adequate cash flows to meet its debt obligations as they fall due. Financing costs may increase due to economic conditions or the Company's financial performance. Historical financing costs amounted to SAR 290 million, SAR 484 million, and SAR 620 million for the financial years ended 31 December 2021G, 2022G, and 2024G, respectively.

Failure to meet its obligations on time would constitute a default. The Company is also subject to various covenants and undertakings under these agreements, including restrictions on material business changes, significant acquisitions, and changes in legal form. These may limit the Company's flexibility in responding to changes in its business or industry, and may restrict its ability to pursue business opportunities or distribute dividends.

A breach of these covenants may trigger events of default under the relevant financing agreements, allowing lenders to cancel or terminate the facilities, accelerate repayment, or enforce promissory notes or collateral. Any default and acceleration may result in reclassification of long-term debt as current liabilities, negatively affecting the Company's financial position, borrowing capacity, and ability to execute its strategic future plans.

In the event the Company breaches its obligations and fails to reach a settlement with the lending banks, and is unable to repay the amounts in cash, this will have a materially adverse impact on the Company and its ability to continue operating, and consequently on the shareholders' investment in the Company.

Additionally, the Company may not consistently be able to generate sufficient cash through its operations, and may require additional funds to address challenges it may face in the course of its business activities or in implementing its growth strategy. The liquidity generated from the Company's current operations and financial resources may not be sufficient to finance its growth strategy. Therefore, the Company may seek to increase its capital or its level of indebtedness. If the Company is unable to obtain adequate financing when needed or on favorable terms, its ability to manage its business or achieve the intended growth rate may be adversely affected, which could materially and negatively impact the Company's operations, financial condition, and future outlook.

2.1.7 Risks Related to the Second Loan from the PIF

The Company recently obtained a new shareholder loan from the PIF in the amount of SAR 1,000,000,000 under a loan agreement dated 18/09/1446H (corresponding to 18/03/2025G). This loan is not included within the scope of the convertible debt addressed in this Circular. The parties to this loan have agreed to grant the PIF an option to convert the amounts due under that shareholder loan into shares in the Company's capital, subject to obtaining the necessary approvals from the relevant regulatory authorities and the approval of the Company's extraordinary general assembly. Accordingly, it is anticipated that a second debt conversion in favor of the PIF may occur in the future, which would increase the PIF's ownership and control in the Company and amplify the risks outlined in this section. Furthermore, the Company may be unable to convert this additional loan into shares for various reasons, including the failure to obtain the required regulatory approvals and waivers. In such case, the Company would be obligated to repay the full amount in cash, which may not be feasible at the time and could materially and adversely affect the Company's financial position, continuity, and, consequently, shareholder investment.

Accordingly, a second debt conversion may occur in the future, which would increase the PIF's ownership and control, and amplify the risks described in this section. If the Company is unable to convert this loan into shares due to failure to obtain necessary approvals, for example, it may be required to repay the loan in cash, which may not be feasible at the time and could materially and adversely affect the Company's financial position and going concern status, and consequently shareholder investments.

2.1.8 Risks Related to Real Estate Pledge

The Company has financing agreements with commercial banks and with the PIF, including the Debt subject to this Circular. Pursuant to these agreements, the Company has pledged a number of real estate properties. With respect to the Debt subject to this Circular, the book value of the properties pledged in favor of the PIF under such Debt amounted to approximately SAR 596 million as of 31 December 2024G. In the event the Debt is not converted and the Company fails to repay or reschedule it, the PIF will have the right to exercise its right to enforce the pledge over such properties and sell them. The properties may be sold at an unfavorable price or the proceeds of such sale may be insufficient to repay the debt. In addition, enforcement over any collateral under a financing arrangement would constitute a cross default under other financing arrangements, which may expose the Company to claims from all its creditors. This would have a material adverse effect on the Company's financial position, liquidity, and continuity, and would materially and negatively impact the share price and shareholders' investment in the Company.

2.1.9 Risks Related to Contractual Consents for the Debt Conversion

The Company is party to several contracts, some of which are material to its operations. If the Company fails to identify and obtain all required contractual consents and proceeds with the Debt Conversion regardless, it may be in breach of its contractual obligations. The consequences of such breach vary depending on the terms of the relevant contracts and may include termination, claims for compensation, or other remedies.

If the Company is unable to negotiate waivers or replacements in a timely and cost-effective manner-or at all-this could have a material adverse effect on its contractual relationships, operations, financial condition, cash flows, and future outlook, and may negatively impact the Company following the Debt Conversion.

2.1.10 Risks Related to Forward-Looking Statements

This Circular contains forward-looking statements, which may be identified by terms such as “expects,” “aims,” “estimates,” “intends,” “plans,” “will,” “believes,” “seeks,” “may,” “should,” or similar expressions. These statements include, without limitation, the anticipated benefits of the Debt Conversion, the capital optimization plan, and the expected timeline.

Such statements reflect the Company’s current view and are based on numerous assumptions, including those related to current and future business strategies and the regulatory environment in which it will operate in the future. These forward-looking statements and expectations do not constitute a promise or guarantee of future events, given the presence of many factors-both apparent and hidden-that may influence future events and cause them to differ significantly from what is explicitly or implicitly expected in this circular. Risks related to forward-looking statements are beyond the Company’s control and cannot be accurately estimated, such as future market conditions and the behavior of other market participants

If actual results differ from these forward-looking statements, this may negatively affect the Company’s business, financial condition, operating results, future outlook, and share performance following the Debt Conversion.

2.1.11 Risks Related to Reliance on Information Not Contained in This Circular

Certain media sources may publish financial or economic analyses regarding the Company or the Debt Conversion that do not reflect the full scope of information and risks disclosed in this Circular. Shareholders should not rely on such sources.

These sources may also include statements not directly attributed to or inaccurately attributed to the Company’s Board members, officers, or employees, or may omit material information provided by the Company. The Board has not authorized any party to make statements on behalf of the Company other than those disclosed in this Circular, and neither the Board nor the Company’s officers, employees, or advisors accept responsibility for the accuracy or completeness of statements made by third parties.

Reliance on information not contained in this Circular may lead to investment decisions based on misleading or inaccurate data, potentially resulting in shareholder losses. Shareholders should rely solely on the information contained in this Circular when voting on the Transaction Resolutions. In case of doubt, shareholders are advised to consult an independent financial advisor licensed by the CMA.

2.2 Risks Related to Changes in Shareholder Ownership, Voting Power, and Lender Control

2.2.1 Risks Related to Changes in Ownership Percentage and Voting Rights of Existing Shareholders

Following the Completion of the Debt Conversion, the PIF’s ownership in the Company will increase from 25% to 55.55%, while the ownership of other shareholders will decrease from 75% to 44.45%, representing a reduction of 40.7%. This decrease in ownership will result in a corresponding reduction in the voting power of existing shareholders, thereby limiting their ability to influence the Company’s decisions-particularly strategic matters requiring shareholder approval at general assemblies, such as the election of board members, amendments to the Company’s capital, mergers, and other significant corporate actions.

2.2.2 Risks Related to Lender Control

The PIF is currently the largest shareholder in the Company. Upon Completion of the Debt Conversion, the PIF’s ownership will increase from 25% to 55.55%, resulting in the PIF gaining Control over the Company. This Control will enable the PIF to influence decisions requiring shareholder approval, including the election of Board members, amendments to the Bylaws, approval of significant transactions, and other shareholder matters. The PIF’s interests may differ from those of other shareholders, and the PIF may direct the Company’s strategy in a manner that does not align with the preferences of other shareholders. Such influence may affect the Company’s operations, financial performance, future outlook, and ultimately the market price of its shares following the Debt Conversion.

2.3 Risks Related to the Issuance of New Shares

2.3.1 Risks Related to Increased Difficulty in Achieving Share Profitability

The Debt Conversion will require the issuance of three hundred fifty-nine million, six hundred sixty-nine thousand, nine hundred ninety-six (359,669,996) ordinary shares with a total nominal value of three billion, five hundred ninety-six million, six hundred ninety-nine thousand, nine hundred sixty (SAR 3,596,699,960) Saudi Riyal. As the Debt Conversion involves issuing new shares, the total number of shares in the Company will increase. If the Company's performance does not improve at a rate exceeding the increase in the number of shares, the loss per share may increase. Consequently, the issuance of additional shares may amplify any negative impact on share profitability, which could adversely affect the market price of the Company's shares.

2.3.2 Risks Related to the Sale of a Large Number of Shares

The PIF is currently a Substantial Shareholder, holding 25% of the Company's capital. Following the issuance of the New Shares through the Debt Conversion, the PIF will hold 55.55% of the Company's capital following the Capital Increase. The PIF may not dispose of any of its shares (whether existing shares or the New Shares) during the six (6) months following the listing of the New Shares without the prior approval of the CMA and in accordance with the conditions it prescribes. Upon the end of this period, or earlier subject to the approval of the CMA, the PIF may trade its shares. If the PIF sells a substantial number of shares in the market following the Debt Conversion, particularly in the absence of regulatory or contractual lock ups and in a low-demand environment, this could exert downward pressure on the Company's share price. Moreover, even the perception of such a sale by the public may negatively affect the share price.

2.3.3 Risks Related to Share Price Fluctuations

The announcement and investor awareness of the Debt Conversion, the Company's management approach, any delays in completing the conversion, or changes in investor trading behavior due to the Debt Conversion may increase volatility in the Company's share price until the Debt Conversion is completed. The share price at the time of Completion may differ significantly from the price at the date of this Circular, which could affect the Company's market value and shareholders' investments.

2.3.4 Risks Related to Non-Compliance with Liquidity Requirements under the Listing Rules

The Company has obtained a waiver from the requirements of paragraph (c) relating to the liquidity requirements set out in sub-paragraph (2) of paragraph (b) of Article (7) of the Listing Rules, whereby it was permitted a liquidity ratio below the required level to reflect the Debt Conversion, provided that the percentage of Shares held by the public does not fall below 21.6% following the Capital Increase. The Company and the PIF are both required to increase this percentage to 30% within a period not exceeding five (5) years from the date of listing the New Shares. The Company must coordinate with the CMA in the event of any impediment to implementing the plan to reach 30% public ownership of the total share capital.

Public ownership levels in the Company may be increased through various means, most notably by non-public shareholders selling their shares or by the Company increasing the number of shares and issuing them to new public shareholders. Any such structure or transaction is subject to a number of variables and risks, and depends on market conditions and the performance of the Company's shares at the time. There can be no assurance that such actions can be undertaken. Moreover, even if implemented, they may negatively affect the Company's shares and shareholders' investments, as they may increase the supply of shares, which could adversely impact the market value or dilute existing shareholders' ownership in the future.

Furthermore, if the Company fails to meet the requirements at the end of the five-year period, it may be unable to extend the waiver, which could compel it to adopt an unsuitable structure to restore liquidity, or expose it to penalties by the Saudi Exchange and the CMA, including trading suspension or delisting. This may have a material adverse effect on the Company's shares, share price, and shareholders' investments.

2.3.5 Risks Related to the Company's Ability to Distribute Dividends

The Company's operations, revenues, financial position, and leverage following the Debt Conversion may be affected by factors beyond its control, including operational, financial, economic, and market conditions. These factors may significantly impact the Company's earnings, revenues, and distributable reserves. The amount of dividends (if any) that the Company may generate or distribute following the Debt Conversion cannot be ascertained. The Company may be unable to distribute dividends, and even if profits are achieved, the Board may choose not to recommend dividend payments, or shareholders may vote against them for any reason.

Future dividend distributions will depend on several factors, including - but not limited to - the Company's future profitability, financial position, cash flows, working capital requirements, capital expenditures, and distributable reserves. The Company may incur expenses or liabilities that consume some or all of the cash available for dividend distribution.

3. Debt Conversion Through Capital Increase

3.1 Overview of the Debt Conversion

On 04/03/1446H (corresponding to 07/09/2024G), the Board of Directors resolved to recommend to the shareholders a capital increase through the conversion of the debt owed to the PIF in the amount of three billion, nine hundred seventy-two million, four hundred fifteen thousand, and ninety-one (SAR 3,972,415,091) Saudi Riyals into new ordinary shares. This amount included the financial obligations and liabilities owed by the Company to the PIF under the shareholder loan agreement and the debt novated by the Ministry of Finance. On the same date, 04/03/1446H (corresponding to 07/09/2024G), the Company entered into a debt conversion agreement with the PIF. On 09/09/1446H (corresponding to 09/03/2025G), the Company and the PIF entered into an addendum to the agreement, under which the parties agreed on the conversion formula and to include accrued interest and fees up to 31 December 2024G in the amount to be converted, such that the total amount subject to conversion would be four billion, one hundred eighteen million, two hundred twenty-one thousand, four hundred sixty-four (SAR 4,118,221,464.63) Saudi Riyals and sixty-three halalas. This occurred following the Board of Directors approval on 08/09/1446H (corresponding to 08/03/2025G) on the execution of the addendum to the agreement and to amend its earlier recommendation to the shareholders, so that the capital increase would be through the conversion of the debt owed to the PIF in the amount of four billion, one hundred eighteen million, two hundred twenty-one thousand, four hundred sixty-four (SAR 4,118,221,464.63) Saudi Riyals and sixty-three halalas into new ordinary shares.

The Debt Conversion is subject to several conditions, most notably the approval of the requisite majority of shareholders, representing at least three-quarters of the voting rights present at the Capital Increase EGM. For further details on the conditions of the Debt Conversion, please refer to Section 6.3 (*“Regulatory Approvals and Other Required Consents to Complete the Debt Conversion”*).

3.2 Rationale for the Debt Conversion

The Debt Conversion is a key pillar of the capital optimization plan announced by the Company on 05/03/1446H (corresponding to 08/09/2024G), aimed at enhancing the Company’s ability to pursue its growth strategy. The plan includes the following elements:

1. **Restructuring of Bank Facilities:** On 29/10/1446H (corresponding to 27/04/2025G), the Company entered into binding agreements with Alinma Bank, The Saudi Awwal Bank, Banque Saudi Fransi, and The Saudi National Bank (collectively, the “Banks”) to restructure all outstanding facilities, totaling approximately SAR 3,391 million as of 31 December 2024G, under a unified agreement. As part of the restructuring, the Banks committed to provide new credit facilities totaling approximately SAR 287.3 million.
2. **New Shareholder Loan:** On 18/09/1446H (corresponding to 18/03/2025G), the Company entered into a definitive agreement with the PIF for a shareholder loan of up to SAR 1,000 million, which is convertible into shares at the PIF’s option. For related risks, please refer to Section 2.1.7 (*“Risks Related to the Second Loan from the PIF”*).
3. **Capital Reduction:** On 30/06/1446H (corresponding to 31/12/2024G), the General Assembly approved a reduction in the Company’s capital from SAR 11,333,333,340 to SAR 5,232,599,090 by cancelling 610,073,425 shares, representing a cancellation ratio of 0.5383 shares for every one share held, to extinguish accumulated losses as of 30 September 2024G.
4. **Debt Conversion**, as described in this Circular.

The overall objective of this plan is to restructure the Company’s capital and financial position, enabling it to strengthen its financial and operational standing and shift focus towards growth and profitability.

3.3 Impact of the Debt Conversion on the Company and Its Shareholders

The capital increase contemplated under this Circular involves increasing the Company’s capital from five billion, two hundred and thirty-two million, five hundred and ninety-nine thousand and ninety (SAR 5,232,599,090) Saudi Riyals, divided into five hundred and twenty-three million, two hundred and fifty-nine thousand, nine hundred and nine (523,259,909) ordinary shares, to eight billion, eight hundred twenty-nine million, two hundred ninety-nine thousand, fifty (SAR 8,829,299,050) Saudi Riyals, divided into eight hundred eighty-two million, nine hundred twenty-nine thousand, nine hundred and five (882,929,905) ordinary shares, with an increase size of three billion, five hundred ninety-six million, six hundred ninety-nine thousand, nine hundred sixty (SAR 3,596,699,960) Saudi Riyals, consisting of three hundred fifty-nine million, six hundred sixty-nine thousand, nine hundred ninety-six (359,669,996) shares representing an increase of sixty-eight point seventy-four percent 68.74% of the Company’s current capital.

As a result, the PIF’s ownership will increase from 25% to 55.55%, while the ownership of other existing shareholders will decrease from 75% to 44.45%, and the public shareholders’ ownership will decline from 38.7% to 22.95%. This will reduce the voting power and dividend entitlement of existing shareholders. For related risks, please refer to Section 2.2 (*“Risks Related to Changes in Shareholder Ownership, Voting Power, and Lender Control”*).

For further details on the ownership of Substantial Shareholders, non-public shareholders, Board members, and public shareholders, and the impact of the Debt Conversion, please refer to Table 3.1 (*“The Board Ownership Before and After the Debt Conversion”*) and Section 3.5 (*“Board of Directors and Their Ownership”*).

For the Company, completion of the Debt Conversion will constitute full and final settlement of the converted Debt with the PIF, including protection from future claims related to the Debt under the terms of the Debt Conversion Agreement.

It should be noted that the debt subject to conversion under this Circular does not include all outstanding obligations owed by the Company to the PIF, as interest and fees accruing from 1 January 2025G until the Completion Date (as defined in the “**Definitions**” section) are excluded. Additionally, the SAR 1,000,000,000 shareholder loan obtained from the PIF under the agreement dated 18/09/1446H (corresponding 18/03/2025G) is not included in the Debt subject to the Debt Conversion.

The Company aims to improve its liquidity ratios and credit profile through the Debt Conversion, thereby enhancing its financial solvency and ability to meet financial obligations, and increasing its capacity to achieve growth objectives. The Capital Increase is expected to positively impact the Company’s performance indicators and credit standing, enabling access to competitive financing sources and supporting the Company’s strategic growth goals. For further details, please refer to Section (3.2) (“**Rationale for the Debt Conversion**”).

3.4 Changes in the Board of Directors or Executive Management Resulting from the Debt Conversion

There are no planned or anticipated changes to the Company’s Board of Directors or executive management as a result of the Debt Conversion.

3.5 Board of Directors and Their Ownership

The Board of Directors consists of nine (9) members elected for a term commencing on 11/03/1445H (26/09/2023G) and ending on 10/01/1448H (25/06/2026G). The following table sets out the names of the Board members and their shareholdings in the Company based on the shareholder register as of 01/01/1447H (26/06/2025G):

Table 3.1: The Board Ownership Before and After the Debt Conversion

Name	Capacity	Status	Number of Owned Shares		Percentage of Owned Shares		Date of Appointment
			Direct Ownership (%)	Indirect Ownership (%) ⁽¹⁾	Direct Ownership (%)	Indirect Ownership (%) ⁽¹⁾	
Fahad Abduljalil Al Saif	Chairman	Non-Executive	None	None	None	None	26/09/2023G ⁽³⁾
Jamal Majid Bin Theniyah	Vice Chairman	Non-Executive	1,896	None	0.000362%	None	26/09/2023G ⁽³⁾
Mansour Abdulrahman Al Salem	Member	Non-Executive ⁽²⁾	5,540	None	0.001059%	None	26/09/2023G
Mohammed Nabil Mohammed Hasan Hafny	Member	Non-Executive	None	None	None	None	26/09/2023G
Fahad Khalid Mohammed Al Saud	Member	Non-Executive	2,308	None	0.000441%	None	26/09/2023G
Naif Saleh Al Hamdan	Member	Non-Executive	None	None	None	None	26/09/2023G
Hesham Ahmed Mohamed Heikal	Member	Independent	None	None	None	None	26/09/2023G
Osama Omar Baryan	Member	Independent	46	None	0.000009%	None	26/09/2023G
Aref Abdullah Al-Harami Al-Bastaki	Member	Independent	461	None	0.000088%	None	26/09/2023G

Source: The Company and the Saudi Exchange’s website.

⁽¹⁾ Indirect ownership refers to shares held by Board Members through (a) entities they Control, or (b) shares held by their spouse or minor children.

⁽²⁾ Mr. Mansour Abdulrahman Al Salem resigned from his position as Managing Director on 14/05/2024G and continued as a Non-Executive Board Member as of 31/05/2024G.

⁽³⁾ The Chairman and Vice Chairman were appointed to their respective roles by the Board of Directors on 04 October 2023G.

3.6 Ownership structure before and after the Debt Conversion

The following table sets out the ownership details of Substantial Shareholders, including the Lender, and the public shareholders, before and after the Completion of the Debt Conversion, based on the shareholder register dated 01/01/1447H (corresponding to 26/06/2025G):

Table 3.2: The Company's Ownership Structure Before and After the Debt Conversion

Shareholder(s)	Before Debt Conversion		After Debt Conversion	
	No. of Shares	Ownership (%)	No. of Shares	Ownership (%)
The Public Investment Fund	130,814,977	25%	490,484,973	55.55%
Dayim Modern Real Estate Management Co.	62,329,489	11.912%	62,329,489	7.059%
ME Royal Capital LLC ⁽¹⁾	36,935,993	7.059%	36,935,993	4.183%
ME Strategic Investments (p.s.Y.M.M) ⁽¹⁾	23,084,995	4.410%	23,084,995	2.615%
ME Holdings (S.A.Y.M.M) ⁽¹⁾	23,084,995	4.410%	23,084,995	2.615%
ME Partners ⁽¹⁾	21,238,191	4.060%	21,238,191	2.405%
Emaar Middle East Company ⁽¹⁾	23,084,995	4.410%	23,084,995	2.615%
Board Members and Senior Executives of the Issuer ⁽²⁾	22,716	0.004%	22,716	0.003%
Abdulla Mohammed Yamani (owns 50% of, and a board member in, Dayim Modern Real Estate Management Co.)	16,159	0.003088%	16,159	0.001830%
The Public	202,647,399	38.7%	202,647,399	22.952%
Total	523,259,909	100%	882,929,905	100.000%

⁽¹⁾ All of these entities are ultimately controlled by Emaar Properties PJSC. It should be noted that ME Royal Capital LLC will no longer be considered a Substantial Shareholder following the Capital Increase, as its direct ownership will fall below 5%. However, it will continue to be classified as a non-Public shareholder due to joint control with the aforementioned entities.

⁽²⁾ Ownership figures reflect direct holdings only. The Directors do not hold any indirect interests through Controlled entities or Relatives.

3.7 Related Parties and Board Members with an Interest in the Debt Conversion

The PIF is considered a related party, as it is one of the Substantial Shareholders of the Company. It should also be noted that certain members of the Board have interest in the Debt Conversion and have declared their interest and abstained from voting on the Debt Conversion. These members are: (a) Fahad Abduljaleel Alsaif, (b) Naif Saleh Alhamdan, and (c) Mansour Abdulrahman Al-Salem, as they are employees of the PIF. The table below sets out the shareholding of the PIF, as the related party, and the shareholding of the conflicted Board members based on the shareholder register dated 01/01/1447H (corresponding to 26/06/2025G):

Table 3.3: Related Party and Conflicted Directors Ownership

Name	Capacity	Reason	Before the Capital Increase		After the Capital Increase	
			No. of Shares Held Directly	Direct Ownership (%)	No. of Shares Owned Directly	Direct Ownership (%)
The Public Investment Fund	Lender	Related party, as it is a Substantial Shareholder of the Company.	130,814,977	25%	490,484,973	55.55%
Fahad Abduljalil AlSaif	Chairman of the Board	Conflicted director, as he is employed by the PIF.	N/A	N/A	N/A	N/A
Naif Saleh AlHamdan	Board Member	Conflicted director, as he is employed by the PIF.	N/A	N/A	N/A	N/A
Mansour Abdulrahman AlSalem	Board Member	Conflicted director, as he is employed by the PIF.	5,540	0.001059%	5,540	0.0006275%

For further information regarding the indirect interests of Board members, please refer to Table 3.1 (“*The Board Ownership Before and After the Debt Conversion*”).

3.8 Proposed Timetable for the Debt Conversion

The table below includes the expected timeline of the key events related to the Debt Conversion. The dates below are approximate, and the Company (or the Saudi Exchange or Edaa, as the case may be) will announce the actual events that must be announced according to the relevant laws and regulations including any changes that may be made to the timetable.

Table 3.4: Proposed Timetable of the Debt Conversion and Key Steps

Event	Date
1. Required procedures related to the Capital Increase EGM	
The approval of the CMA of the application to register and offer the New Shares through the Debt Conversion.	22/05/1447H (corresponding to 13/11/2025G)
The announcement on the Saudi Exchange’s website of the invitation to convene the Capital Increase EGM, with reference to the possibility of holding a second meeting one hour after the end of the scheduled time for the first meeting, in the event that the required quorum is not met.	10/06/1447H (corresponding to 01/12/2025G)
Publication of the Shareholders’ Circular.	11/06/1447H (corresponding to 02/12/2025G)
Making the relevant documents available for inspection.	11/06/1447H (corresponding to 02/12/2025G) (during working days and hours from 10am to 3pm)
The commencement of the electronic voting period for the Transaction Resolutions.	••/••/••••H (corresponding to ••/••/••••G)
The Capital Increase EGM (first meeting) – quorum required is shareholders representing at least 50% of the Company’s voting shares. In the event that the required quorum is not met, a second meeting will be convened one hour after the end of the scheduled time for the first meeting. The second meeting will be considered valid if shareholders representing at least 25% of the Company’s voting shares are present.	••/••/••••H (corresponding to ••/••/••••G)
The announcement of the results of the Capital Increase EGM or failure to convene the meeting (in case the quorum is not satisfied)	••/••/••••H (corresponding to ••/••/••••G)

Event	Date
2. Procedures required in case the quorum is not met for the second Capital Increase EGM	
The invite to the third meeting of the Capital Increase EGM (in the event that the quorum is not met in the first and second meetings)	••/••/••••H (corresponding to ••/••/••••G)
The commencement of the electronic voting period for the Transaction Resolutions.	••/••/••••H (corresponding to ••/••/••••G)
Convening the Capital Increase EGM (third meeting) – The third meeting will be deemed valid regardless of the number of voting shares represented therein	••/••/••••H (corresponding to ••/••/••••G)
The announcement of the results of the Capital Increase EGM	••/••/••••H (corresponding to ••/••/••••G)
3. Required actions following the approval of the Capital Increase EGM	
Issuance and listing of the New Shares, and depositing them in the Lender's portfolio	The New Shares will be issued and deposited in the Lender's portfolio within one week from the date of the Capital Increase EGM of the Transaction Resolutions. This will occur no later than ••/••/••••H (corresponding to ••/••/••••G) if the approval is granted in the first or second meeting, and no later than ••/••/••••H (corresponding to ••/••/••••G) if the approval is granted in the third meeting.
Submission of the Capital Increase EGM's minutes to the CMA	Within 10 days from the Capital Increase EGM's approval on the Transaction Resolutions. This will occur no later than ••/••/••••H (corresponding to ••/••/••••G) if the approval is granted in the first or second meeting, and no later than ••/••/••••H (corresponding to ••/••/••••G) if the approval is granted in the third meeting.
Publication and deposit of the Company's amended Bylaws, and updating the commercial register to reflect the Capital Increase	Within 15 days from the Capital Increase EGM's approval on the Transaction Resolutions. This will occur no later than ••/••/••••H (corresponding to ••/••/••••G) if the approval is granted in the first or second meeting, and no later than ••/••/••••H (corresponding to ••/••/••••G) if the approval is granted in the third meeting.

4. Debt Valuation

4.1 Valuation of the Debt and the New Shares

The following table illustrates the amount by which the Company's capital will increase as a result of the Debt Conversion, using a hypothetical issue price applied for the purpose of preparing the Pro Forma Financial Statements. The hypothetical share issue price used in preparing the Pro Forma Financial Statements was based on the twelve (12) month volume-weighted average price ending on 31 December 2024G, which amounted to SAR 17.60. According to the Conversion Formula agreed between the Company and the Lender, the issue price applied for the purposes of the Pro Forma Financial Statements will be SAR 13.20, after applying a 25% discount.

Table 4.1: Statement of the Amount by which the Company's Capital Will Increase Using the Hypothetical Share Issue Price Applied for the Preparation of the Pro Forma Financial Statements

Lender	The PIF
Nature of the Debt	Long-term Loan
Outstanding Amount to Be Settled in Exchange for the New Shares (SAR)	4,118,221,464.63
Increase in Capital (SAR) ⁽¹⁾	3,119,864,750

Source: The Company

(1) The increase in capital was calculated based on a hypothetical issue price of SAR 13.20, after applying a 25% discount to the twelve (12)-month volume-weighted average price ending on 31 December 2024G, which amounted to SAR 17.60. This calculation follows the Conversion Formula agreed between the Company and the Lender and was used for the purposes of preparing the Pro Forma Financial Statements. The actual issue price will be based on the twelve (12)-month volume-weighted average price immediately preceding the trading day before the date of the Capital Increase EGM's invitation, after applying a 25% discount to that period's average. Consequently, the actual issue price, the number of new shares, and the resulting increase in capital may differ materially from those appearing in the table.

Table 4.2: Illustration of the Number of New Shares to Be Issued to the Lender (the PIF) as a Result of the Debt Conversion Using the Hypothetical Share Issue Price Applied for the Preparation of the Pro Forma Financial Statements

Debt from the PIF (SAR)	(A)	4,118,221,464.63
Indicative Closing Share Price on the Trading Day Preceding the Date of the Capital Increase EGM's Invitation (SAR)	(B)	18.96
Issue Price (SAR) ⁽¹⁾	(C)	13.20
Number of New Shares	(A) / (C) = (D)	311,986,475
Increase in Share Capital (SAR)	(D) × Par Value per Share (SAR 10) = (E)	3,119,864,750
Additional Paid-in Capital (as Share Premium) (SAR)	(A) – (E) = (F)	998,356,715

Source: The Company

(1) The hypothetical share issue price was calculated based on the twelve (12)-month volume-weighted average price (VWAP) ending on 31 December 2024G, which amounted to SAR 17.60, and a discount of 25% was applied in accordance with the Conversion Formula agreed between the Company and the Lender. Accordingly, the issue price used for the purposes of the Pro Forma Financial Statements is SAR 13.20. The actual issue price will be determined based on the twelve (12)-month VWAP preceding the trading day prior to the date of the capital increase EGM's invitation, after applying a 25% discount to the VWAP for that period. Therefore, the actual issue price, the number of new shares, and the corresponding increase in capital may differ materially from that showing in the table.

The par value of the New Shares is ten (SAR 10) Saudi Riyals per share. The number of the New Shares to be issued against the Debt owed to the Lender (the PIF) will be determined by dividing the amount of the Debt by the issue price, which will be based on the twelve (12)-month volume-weighted average market price (VWAP) of the Company's shares preceding the trading day prior to the date of the Capital Increase EGM's invitation, after applying a 25% discount to the VWAP for that period, in accordance with the Conversion Formula agreed between the Company and the Lender.

The difference between the par value of the New Shares and the total Debt owed to the Lender (the PIF) will be recorded as a share premium under the equity section in the Company's statement of financial position. No fractional shares will be issued to the PIF, and any fractions will be rounded down to the nearest whole share, and the portion of the debt corresponding to the fraction will be paid to the PIF in cash.

The table below illustrates the impact of the debt conversion on the share price using a hypothetical issue price of SAR 13.20, which was used for the purposes of preparing the Pro Forma Financial Statements.

Table 4.3: Illustration of the Impact of the Debt Conversion on the Share Price Using the Issue Price Applied for the Preparation of the Pro Forma Financial Statements

Debt to be converted into shares (SAR)	(A)	4,118,221,464.63
Indicative share closing price on the date of announcement of the Extraordinary General Assembly (SAR) ⁽¹⁾	(B)	18.96
Twelve (12)-month volume-weighted average market price (VWAP) of the Company's shares preceding the trading day prior to the Capital Increase EGM's invitation (SAR)	(C)	17.60
Agreed discount rate (%)	(D)	25%
Hypothetical issue price (SAR) ⁽²⁾	$(C) \times [1 - (D)] = (E)$	13.20
Number of shares to be issued	$(A)/(E) = (F)$	311,986,475
Current number of issued shares	(G)	523,259,909
Total number of issued shares after the Debt Conversion	$(F) + (G) = (H)$	835,246,384
Company market capitalization before the Debt Conversion (SAR)	$(B) \times (G) = (I)$	9,921,007,874.64
Market value of the New Shares (SAR)	$(B) \times (F) = (J)$	5,915,263,566
Company market capitalization after the Debt Conversion (SAR)	$(I) \times (J) = (Z)$	15,836,271,440.64
Share price after the Debt Conversion (SAR)	$(Z)/(H) = (K)$	18.96

Source: The Company

- (1) The closing price of the shares as of 31 December 2024G has been used for the purpose of illustrating the method used to determine the issue price of the New Shares in accordance with the Conversion Formula agreed between the Company and the Lender, as well as to demonstrate the method of calculating the impact of the Debt Conversion on the share price. The actual closing price of the shares on the trading day preceding the announcement of the Capital Increase EGM will be used, which may differ materially.
- (2) The pro forma issue price of the shares (SAR 13.20) used for the purpose of preparing the Pro Forma Financial Statements, after applying a 25% discount to the weighted average market price of the Company's shares based on volume over the twelve (12) months ended 31 December 2024G. The actual issue price will be determined based on the weighted average market price of the Company's shares by volume over the twelve (12) months preceding the trading day prior to the announcement of the Capital Increase EGM invite, after applying a 25% discount, in accordance with the Conversion Formula agreed between the Company and the Lender, and may differ materially.

Based on the illustrative figures in the previous example, the share price after the Debt Conversion will be SAR 18.96, and the ownership of existing shareholders is expected to decrease by approximately 37% upon Completion of the Debt Conversion.

The following table illustrates the impact of the Debt Conversion on an individual shareholder's ownership for guidance purposes, using a hypothetical issue price of SAR 13.20 (used for the preparation of the Pro Forma Financial Statements after applying a 25% discount to the twelve-month volume-weighted average market price of the Company's shares ended 31 December 2024G):

Table 4.4: Illustration of the Impact of Debt Conversion on Share Price Using the Issue Price Applied for the Preparation of Pro Forma Financial Statements

Item ⁽¹⁾		
Current Number of Issued Shares	(A)	523,259,909
Number of New Shares Issued	(B)	311,986,475
Total Issued Shares After the Debt Conversion	$(A) + (B) = (C)$	835,246,384
Number of Shares Held by the Investor (Pro Forma / Illustrative)	(D)	100,000,000
Illustrative Individual Ownership Before Debt Conversion (%)	$(D) / (A) = (E)$	19.1%
Illustrative Individual Ownership After Debt Conversion (%)	$(D) / (C) = (F)$	12.0%
Effect of Debt Conversion on Illustrative Individual Ownership (%)	$[(F / E) - 1] \times 100$	(37.4%)
Number of Shares Held by the Public (Pro Forma / Illustrative)	(G)	202,647,399
Illustrative Public Ownership Before Debt Conversion (%)	$(G) / (A) = (H)$	38.7%
Illustrative Public Ownership After Debt Conversion (%) ⁽²⁾	$(G) / (C) = (I)$	24.3%
Effect of Debt Conversion on Illustrative Public Ownership (%)	$[(I / H) - 1] \times 100$	(37.4%)

Source: The Company

- (1) The pro forma share issue price (SAR 13.20) used for the purposes of preparing the Pro Forma Financial Statements reflects a 25% discount on the volume-weighted average price of the Company's shares over the twelve (12) months ended 31 December 2024G. The actual issue price will be determined based on the volume-weighted average price of the Company's shares over the twelve (12) months preceding the trading day prior to the date of the invite for the Capital Increase EGM, applying a 25% discount in accordance with the Conversion Formula agreed between the Company and the Lender. The actual issue price may differ materially.
- (2) The Company obtained a waiver from the Saudi Exchange on 01/05/1447H (corresponding to 23/10/2025G) from the requirements of paragraph (c) relating to the liquidity requirements set out in subparagraph (2) of paragraph (b) of Article (7) of the Listing Rules. Pursuant to the waiver, the Company was permitted a liquidity ratio below the required level to reflect the Debt Conversion, provided that the percentage of shares held by the public does not fall below 21.6% following the Capital Increase. Both the Company and the PIF are required to increase this percentage to 30% within a period not exceeding five (5) years from the date of listing the new shares. The Company must coordinate with the CMA in the event of any impediment to implementing the plan to reach 30% public ownership of the Company's share capital.

4.2 Analysis of the Increase or Decrease in Earnings per Share Resulting from the Capital Increase

The table below illustrates the decrease in the Company's earnings per share based on the condensed preliminary consolidated financial statements (unaudited) for the three-month and nine-month periods ended 30 September 2024G, and based on the pro forma condensed consolidated financial information of the Company for the nine-month period ended 30 September 2024G:

Table 4.5: Analysis of the Increase or Decrease in Earnings per Share Resulting from the Capital Increase

Losses per Share (based on the condensed interim consolidated financial statements (unaudited) for the three-month and nine-month periods ended 30 September 2024G)	(1.03)
Losses per Share After Capital Increase (based on the pro forma condensed consolidated financial information for the nine-month period ended 30 September 2024G)	(2.35)

Source: Condensed interim consolidated financial statements (unaudited) for the three-month and nine-month periods ended 30 September 2024G, and the pro forma condensed consolidated financial information for the nine-month period ended 30 September 2024G.

Note: Earnings or loss per share are calculated by dividing the profit or loss for the year by the number of shares for the same year.

4.3 Company Share Price Performance During the Previous Year

The following table illustrates the Company's share price performance during the year preceding the Company's application to register and offer the new shares, based on the closing price on the last trading day of each month.

Table 4.6: Company's Share Price Performance During the Previous Year

Date	Closing Price (SAR)	Average Total Trading Volume During the Previous Month (SAR)
31/03/2024G	8.06	25,314,982
30/04/2024G	7.76	13,132,303
30/05/2024G	6.71	10,366,698
30/06/2024G	6.50	8,402,847
23/07/2024G	7.03	10,366,489
29/08/2024G	8.56	32,450,951
30/09/2024G	8.77	29,174,641
31/10/2024G	8.59	14,870,157
28/11/2024G	7.93	4,963,798
31/12/2024G	8.75	11,984,245
30/01/2025G*	18.16	9,807,056
27/02/2025G*	16.20	4,901,645

Source: Saudi Exchange's website

* The Company reduced its capital pursuant to the extraordinary general assembly's approval on 31 December 2024G by 53.83%. Accordingly, the share price was adjusted on 5 January 2025G, reflecting the increase in the share price after December 2024G. For a view of the adjusted closing prices, please refer to the Company's page on the Saudi Exchange.

In addition, the chart below illustrates the development of the Company's share price over the last calendar year, covering the period from 1 January 2024G to 1 January 2025G:



5. Consolidated Financial Information

The section “**Consolidated Financial Information**” must be read in addition to the unaudited condensed consolidated proforma financial information prepared for the Company for the nine-month period ended 30 September 2024G, the audited consolidated financial statements of the Company for the financial years ended 31 December 2021G, 31 December 2022G and 31 December 2023G, as well as the interim unaudited condensed consolidated financial statements for the three- and nine-month periods ended 30 September 2024G, which are included in this Circular.

A written consent has been obtained from PricewaterhouseCoopers for the inclusion of its name, logo, and statements as the auditor for the financial year ended 31 December 2022G. In addition, a written consent has been obtained from KPMG Professional Services as the auditor for the financial years ended 31 December 2023G and 2024G, and for the nine-month period ended 30 September 2024G, as well as the issuer of the independent practitioner’s assurance report on the proforma condensed consolidated financial information for the nine-month period ended 30 September 2024G.

Neither the auditors nor any of their employees (who constitute the work team that provided services to the Company) or the relatives of any of these employees have any shares or interest of any kind in either the Company or its affiliates that would affect their independence. For the purposes of this Circular and in relation to the auditor, “relatives” are defined as immediate family members in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) as adopted in the Kingdom of Saudi Arabia.

The unaudited pro forma condensed consolidated financial information of the Company has been prepared by the Company’s management to illustrate the financial impact on the unaudited condensed consolidated financial statements for the nine-month period ended 30 September 2024G, as if the conversion had taken place on 30 September 2024G, and the consequential adjustments during the remainder of the financial period ended September 30, 2024G. This unaudited condensed consolidated proforma financial information has been prepared for illustrative purposes only and is based on the assumptions set out in the accompanying notes to the proforma financial information. In particular, the hypothetical issue price of SAR 13.20 was used for illustrative purposes only. The proforma adjustments are based on the assumptions outlined in the notes attached to the unaudited condensed consolidated proforma financial information and do not represent the actual financial results or financial position of the Company and its subsidiaries or its financial position, nor do they provide any indication of the future financial results or position of the Company’s and its affiliates’ activities upon completion of the above-mentioned Debt Conversion.

Pro Forma Assumptions

The management has prepared the unaudited pro forma condensed consolidated financial statements based on the following assumptions:

- The transaction date for the debt-to-equity conversion is 30 September 2024G.
- All the adjustments to finance charges and related financial captions are made on the assumption that all legal formalities and regulatory clearances related to the debt conversion, including the novation and conversion/subscription agreement, were completed and became effective as of 30 September 2024G.
- The capital reduction and absorption of accumulated losses approved on 31 December 2024G, are assumed to have taken place as of 30 September 2024G.
- The debt balance to be converted into equity assume to include the full amount of accrued finance charges (including finance charges accrued from October 1 to December 2024G, amounting to SAR 72 million, in accordance with the conversion agreement with the PIF).
- Management has prepared this pro forma financial information based on the assumption that the amounts owed to the PIF, totaling SAR 4,118,221,465 as 31 December 2024G, are considered outstanding as of 30 September 2024G, and derecognized through the issuance of 311,986,475 ordinary shares of the Company to the PIF. These shares are calculated in accordance with the conversion agreement between the PIF and the Company by applying a 25% discount to the volume-weighted average market price (VWAP) of the Company’s share over the 12 months preceding 31 December 2024G.

The following are the computations related to the pro forma adjustments:

Loan outstanding to the PIF as of 31 December 2024G	A	4,118,221,465
12 months VWAP preceding the date of 31 December 2024G	B	17.6
25% discount on VWAP	C=B*75%	13.2
Number of ordinary shares to be issued to the PIF	D=A/C	311,986,475
Increase in Share capital at par value of SR 10	E= D*10	3,119,864,750
Increase in share premium	F=A-E	998,356,715

Pro Forma Adjustments

The debt-to-equity conversion transaction resulted in the following pro forma adjustments:

- Increase in share capital by SAR 3,120 million
- Increase in share premium by SAR 998 million
- Increase in finance costs by SAR 72 million
- Decrease in loans and borrowings – current portion by SAR 4,046 million (the loan amount was increased by adding the accrued finance costs of SAR 72 million, bringing the total debt to SAR 4,118 million, which was then simultaneously derecognized through the debt conversion, as detailed in the notes section under “**Loans and Borrowings – Current Portion**”)
- Increase in zakat expense and zakat provision by SAR 7 million

No impact on the unaudited pro forma condensed consolidated statement of cash flows.

5.1 Pro-forma condensed consolidated statement of financial position (In thousands of Saudi Riyals)

The following table presents a comparison between the unaudited and pro forma consolidated statement of financial position as of 30 September 2024G.

SAR (‘000)	As at 30 September 2024G	Pro forma Adjustments	As at 30 September 2024G
	(Unaudited)		(Pro forma)
ASSETS			
Non-current assets			
Property and equipment	5,044,177	-	5,044,177
Right-of-use assets	46,041	-	46,041
Investment properties	4,587,351	-	4,587,351
Intangible assets	3,269	-	3,269
Investment in equity accounted investees	2,762,834	-	2,762,834
Development properties	482,810	-	482,810
Unbilled revenue	160,690	-	160,690
Employees’ receivable - Home Ownership Scheme	54,552	-	54,552
Restricted cash	51	-	51
Total non-current assets	13,141,775	-	13,141,775
CURRENT ASSETS			
Development properties	823,733	-	823,733
Unbilled revenue	156,770	-	156,770
Current portion of employees’ receivable - Home Ownership Scheme	3,476	-	3,476
Trade receivables and other current assets	661,406	-	661,406
Restricted cash – current portion	3,688	-	3,688
Cash and cash equivalents	206,651	-	206,651
TOTAL CURRENT ASSETS	1,855,724	-	1,855,724
Total assets	14,997,499	-	14,997,499
EQUITY AND LIABILITIES			
Equity			
Share capital	11,333,333	(2,980,869)	8,352,464
Share Premium	-	998,356	998,356

SAR (*000)	As at 30 September 2024G	Pro forma Adjustments	As at 30 September 2024G
	(Unaudited)		(Pro forma)
Statutory reserve	11,536	-	11,536
Accumulated losses	(6,100,734)	6,021,788	(78,946)
Total equity	5,244,135	4,039,275	9,283,410
Non-current liabilities			
Loans and borrowings	-	-	-
Lease liabilities	23,653	-	23,653
Employee benefit obligation	44,230	-	44,230
Total non-current liabilities	67,883	-	67,883
Current liabilities			
Lease liabilities – current portion	65,672	-	65,672
Loans and borrowings – current portion	7,733,312	(4,046,183)	3,687,129
Short-term borrowings	158,482	-	158,482
Trade and other payable	703,823	-	703,823
Contract liabilities	646,671	-	646,671
Other provisions	57,152	-	57,152
Zakat provision	320,369	6,908	327,277
Total current liabilities	9,685,481	(4,039,275)	5,646,206
Total liabilities	9,753,364	(4,039,275)	5,714,089
Total equity and liabilities	14,997,499	-	14,997,499

Share Capital

The Company's share capital decreased from SAR 11,333,333 thousand to SAR 8,352,464 thousand as of 30 September 2024G, as reflected in the pro forma financial statements of financial position, following a capital reduction to offset accumulated losses. Subsequently, pursuant to the Debt Conversion, the Company's share capital was increased to SAR 5,232,599 thousand through the issuance of 311,986,475 new ordinary shares with a nominal value of SAR 10 per share. The transaction size was determined based on the agreed exchange ratio under the debt conversion agreement.

Share Premium

The increase in share premium amounting to SAR 998,356 thousand in the pro forma statement of financial position represents the difference between the nominal value of SAR 10 per share and the current hypothetical issue price of SAR 13.20 per share as of 31 December 2024G.

Accumulated Losses

The accumulated losses decreased by SAR 6,021,788 thousand - from SAR 6,100,734 thousand to SAR 78,946 thousand as of 30 September 2024G. This reduction resulted from the Company's capital reduction on 23/04/1446H (corresponding to 26/10/2024G), following a board resolution recommending a decrease in the Company's share capital from SAR 11,333,333 thousand to SAR 5,232,599 thousand. The reduction was executed by canceling 610,073,425 of the Company's shares in order to offset the accumulated losses of SAR 6,100,734 thousand, which represented 53.83% of the share capital as of 30 September 2024G.

Loans and Borrowings – Current Portion

Based on the pro forma financial statements, the converted debt is considered part of the loans. The total loans amounting to SAR 7,733,312 thousand as of 30 September 2024G were reduced by SAR 4,046,183 thousand, representing the debt converted from the PIF and the debts converted from the Ministry of Finance. This brought the remaining loans after conversion to SAR 3,687,129 thousand. It is worth noting that the total debt subject to conversion amounts to SAR 4,118,221 thousand, which includes accrued finance charges of SAR 72 million.

The table below provides a detailed explanation of the loans and borrowings item based on the pro forma adjustments.

SAR ('000)	As at 30 September 2024G (unaudited)	Reclassification	Pro forma adjustments 1	Pro forma adjustments 2	As at 30 September 2024G (Pro Forma)
Ministry of Finance (MoF) loan	2,911,604	-	-	(2,911,604)	-
Facility from a shareholder (the PIF)	961,634	38,366	-	(1,000,000)	-
Accrued commission	172,945	(38,366)	72,038	(206,617)	-
Gross Conversion Amount	4,046,183	-	72,038	(4,118,221)	-
Banks Debt	3,687,129	-	-	-	3,687,129

As of 30 September 2024G, the outstanding loan balance owed by the Company to the PIF (including the novated loan from the Ministry of Finance and the accrued commission balance) amounted to SAR 4,046 million. For the purposes of the pro forma financial statements, additional accrued finance charges of SAR 72 million were recognized for the period from 1 October 2024G to 31 December 2024G (Pro Forma Adjustment 1), as if they had accrued by 30 September 2024G. Accordingly, the loan balance increased to SAR 4,118 million, which was also reflected as additional finance expenses in the income statement.

Subsequently, the pro forma financial statements assume that the entire adjusted loan and borrowings balance of SAR 4,118 million (original loan plus accrued finance charges for the period from 1 October to December 2024G) was fully converted into equity as of 30 September 2024G (Pro Forma Adjustment 2).

For this reason, the pro forma balance sheet does not show the SAR 4,118 million as an outstanding loan. Instead, it reflects the two-step process: (1) recognition of accrued finance charges as of 31 December 2024G (Pro Forma Adjustment 1), and (2) derecognition of the debt along with all accrued finance charges through the debt-to-equity conversion (Pro Forma Adjustment 2).

Zakat Provision

The zakat provision increased by SAR 6,908 thousand - from SAR 320,369 thousand to SAR 327,277 thousand - as a result of the change in the Company's share capital

5.2 Unaudited pro forma condensed consolidated statement of profit or loss and other comprehensive income (In thousands of Saudi Riyals)

The following table presents a comparison between the unaudited and pro forma condensed consolidated statement of profit or loss and other comprehensive income for the nine-month period ended 30 September 2024G:

SAR ('000)	For the period ended 30 September 2024G	Pro forma Adjustments	For the period ended 30 September 2024G
Revenue	241,163	-	241,163
Cost of revenue	(408,137)	-	(408,137)
Gross loss	(166,974)	-	(166,974)
Expenses			
Selling and marketing expenses	(42,999)	-	(42,999)
General and administrative expenses	(294,896)	-	(294,896)
Impairment loss on financial assets and contract assets	(55,272)	-	(55,272)
Amortization of unearned interest	11,971	-	11,971
Other operating income	22,248	-	22,248
OPERATING LOSS	(525,922)	-	(525,922)
Other income / (expenses)			
Financial income	3,899	-	3,899
Fair value gain on derivative financial liability	12,705	-	12,705
Financial charges	(482,229)	(72,038)	(554,267)
Gain on disposal of property and equipment	-	-	-
Share of loss of equity accounted investees	(65,209)	-	(65,209)
LOSS BEFORE ZAKAT	(1,056,756)	(72,038)	(1,128,794)

SAR (*000)	For the period ended 30 September 2024G	Pro forma Adjustments	For the period ended 30 September 2024G
Zakat	(96,032)	(6,908)	(102,940)
LOSS FOR THE PERIOD	(1,152,788)	(78,946)	(1,231,734)
Other comprehensive loss			
Share of other comprehensive loss of equity accounted investees	(9,325)	-	(9,325)
Total comprehensive loss for the year	(1,162,113)	(78,946)	(1,241,059)
Loss per share	(1.02)	(1.33)	(2.35)

Financial Charges

According to the debt conversion agreement, the debt amount will include finance charges up to 31 December 2024G. The amount of SAR 72,038 thousand represents the finance charges accrued from 30 September 2024G to 31 December 2024G.

Zakat

The zakat expense increased by SAR 6,908 thousand - from SAR 96,032 thousand to SAR 102,940 thousand - due to the change in the Company's share capital, which led to an increase in the zakat base and consequently a higher zakat expense.

5.3 Unaudited pro forma condensed consolidated statement of cash flows (In thousands of Saudi Riyals)

The following table presents a comparison between the unaudited and pro forma condensed consolidated statement of cash flows for the nine-month period ended 30 September 2024G:

SAR (*000)	For the period ended 30 September 2024G	Pro forma Adjustments	For the period ended 30 September 2024G
Operating activities			
Loss before Zakat	(1,056,756)	(72,038)	(1,128,794)
Adjustments for:			
Depreciation on property and equipment	141,976	-	141,976
Depreciation on investment properties	36,738	-	36,738
Depreciation on right-of-use asset	8,743	-	8,743
Impairment loss on financial and contract assets	55,272	-	55,272
Amortisation	1,140	-	1,140
Financial charges	482,229	72,038	554,267
Share of results of equity accounted investees	65,209	-	65,209
Financial income	(3,899)	-	(3,899)
Amortization of unearned interest	(11,971)	-	(11,971)
Gain on disposal of investment properties	(17,101)	-	(17,101)
Gain on disposal of property and equipment	-	-	-
Fair value gain on derivative financial liability	(12,705)	-	(12,705)
Gain on contribution of land	-	-	-
Impairment loss on investment properties	103	-	103
Impairment reversal on development properties	(1,561)	-	(1,561)
Provision for employee benefit obligation	7,216	-	7,216
	(305,367)	-	(305,367)
Changes in operating assets and liabilities:		-	
Employees' receivable – Home Ownership Scheme	3,209	-	3,209
Unbilled revenue	263,358	-	263,358

SAR ('000)	For the period ended 30 September 2024G	Pro forma Adjustments	For the period ended 30 September 2024G
Development properties	16,646	-	16,646
Trade receivables and other current assets	(133,495)	-	(133,495)
Trade and other payable	(21,537)	-	(21,537)
Other liabilities	(33,338)	-	(33,338)
Restricted cash balances received	(334)	-	(334)
Net cash used in operations	(210,858)	-	(210,858)
Financial charges paid	(26,927)	-	(26,927)
Zakat paid	(26,401)	-	(26,401)
Employees' terminal benefits paid	(4,618)	-	(4,618)
Net cash used in operating activities	(268,804)	-	(268,804)
Investing activities			
Financial income received	3,899	-	3,899
Additions to intangible Assets	(746)	-	(746)
Additions to property and equipment	(268,934)	-	(268,934)
Additions to investment properties	(13,095)	-	(13,095)
Proceeds from sale of investment properties	25,254	-	25,254
Net cash used in investing activities	(253,622)	-	(253,622)
Financing activities			
Proceeds from loans and borrowings	550,000	-	550,000
Net cash generated from financing activities	550,000	-	550,000
Net increase in cash and cash equivalents	27,574	-	27,574
Cash and cash equivalents at the beginning of the year	179,077	-	179,077
Cash and cash equivalents at the end of the year	206,651	-	206,651

5.4 Comparison of the issuer's financial and key performance indicators in the pro forma financial statements and the actual financial statements for the nine-month period ended 30 September 2024G

	For the period ended 30 September 2024G	
	Unaudited	Pro forma
Gross Profit Margin ⁽¹⁾	(69.2%)	(69.2%)
Net Income Margin ⁽²⁾	(481.9%)	(514.6%)
Return on Assets ⁽³⁾	(7.7%)	(8.2%)
Return on Equity ⁽⁴⁾	(22.2%)	(13.3%)

(1) The gross profit margin was calculated by dividing gross profit by revenue.

(2) The net profit margin was calculated by dividing total comprehensive income (or loss) for the period by revenue.

(3) Return on assets was calculated by dividing total comprehensive income (or loss) for the period by total assets.

(4) Return on equity was calculated by dividing total comprehensive income (or loss) for the period by total equity.

5.5 Audited consolidated financial statements for the previous three years

Statement of financial position (SAR '000)	as at 31 December		
	2022G	2023G	2024G
Property and equipment	5,064,924	4,917,219	4,993,380
Right-of-use assets	57,291	54,784	45,700
Investment properties	4,739,035	4,619,250	4,599,548
Intangible assets	4,275	3,664	2,981
Investment in equity accounted investees	2,586,740	2,837,368	2,711,806
Development properties	565,935	482,287	483,018
Unbilled revenue	588,849	285,260	196,057
Employees' receivable - home ownership scheme	60,123	57,765	53,463
Restricted cash	45,389	51	51
Total non-current assets	13,712,561	13,257,648	13,086,004
Development properties	820,802	839,341	835,611
Unbilled revenue	154,676	283,587	223,238
Current portion of employees' receivable - home ownership scheme	3,858	3,473	3,504
Trade receivables and other current assets	410,460	583,183	686,229
Restricted cash current portion	6,333	3,354	3,707
Cash and cash equivalents	82,141	179,077	252,367
Total current assets	1,478,270	1,892,015	2,004,656
Total assets	15,190,831	15,149,663	15,090,660
Share capital	11,333,333	11,333,333	5,232,599
Statutory reserve	11,536	11,536	11,536
Accumulated losses	(4,690,092)	(4,938,621)	22,776
Total equity	6,654,777	6,406,248	5,266,911
Loans and borrowings	76,917	-	-
Lease liabilities	25,815	32,794	23,683
Employee benefit obligations	40,841	41,630	45,483
Total non-current liabilities	143,573	74,424	69,166
Lease liabilities - current portion	55,448	56,212	51,670
Loans and borrowings - current portion	5,962,373	6,747,091	7,871,117
Short-term borrowings	201,765	152,429	161,386
Trade and other payables	807,546	725,360	973,190
Contract liabilities	986,638	712,349	605,044
Other provisions	163,253	24,812	43,967
Zakat provision	215,458	250,738	48,209
Total current liabilities	8,392,481	8,668,991	9,754,583
Total liabilities	8,536,054	8,743,415	9,823,749
Total equity and liabilities	15,190,831	15,149,663	15,090,660

Income Statement (SAR '000)	as of 31 December		
	2022G	2023G	2024G
Revenue	363,267	1,031,357	425,970
Cost of revenue	(594,863)	(599,725)	(544,518)
Gross profit / (loss)	(231,596)	431,632	(118,548)
Selling and marketing expenses	(61,748)	(45,429)	(54,915)
General and administrative expenses	(463,636)	(322,164)	(352,946)
Impairment loss on financial and contract assets	(63,033)	(19,115)	69,813
Amortization of unearned interest	16,501	20,245	15,474
Other operating income	8,985	177,569	80,311
Operating profit / (loss)	(794,527)	242,738	(360,811)
Financial income	1,891	2,110	2,857
Financial charges	(290,192)	(483,847)	(620,452)
Fair value gain on derivative financial liability	-	29,043	12,705
Share of profit of equity accounted investee	25,046	1,736	(92,832)
Loss before zakat	(1,057,782)	(208,220)	(1,058,533)
Zakat	(99,508)	(45,000)	(76,032)
Loss for the year	(1,157,290)	(253,220)	(1,134,565)

Cash flow statement (SAR '000)	as of 31 December		
	2022G	2023G	2024G
Loss before zakat	(1,057,782)	(208,220)	(1,058,533)
Depreciation on property and equipment	228,950	193,971	189,272
Depreciation on investment properties	39,169	50,796	48,799
Depreciation on right-of-use assets	10,410	11,118	12,338
Impairment loss on financial and contract assets	63,033	19,115	(69,813)
Amortization	1,865	685	1,787
Financial charges	290,192	483,847	620,452
Share of results of equity accounted investees	(25,046)	(1,736)	92,832
Financial income	(1,891)	(2,110)	(2,857)
Interest income on unwinding of unbilled revenue	(480)	(14,041)	(13,705)
Fair value gain on derivative financial liability	-	(29,043)	(12,705)
Gain on contribution of land to Albilad Tourism Fund - Equity investment	-	(32,150)	(36,847)
Gain on disposal of investment properties	(7,876)	(77,768)	(31,386)
Write down of development properties	409	-	-
Impairment reversal on investment properties	(11,853)	(2,546)	1,094
Impairment on property and equipment	26,069	-	-
Impairment on investment properties	32,917	-	-
Capital work in progress write-off	46,523	5,529	-
Interest income on unwinding of employees receivable - home ownership scheme	(4,352)	(6,204)	(1,744)
Provision for employees benefit obligations	13,581	11,992	11,380
Gain on disposal of property and equipment	-	(3,010)	-
Impairment reversal on development properties	-	(6,770)	(1,453)
Reversal of provision no longer required	-	(44,200)	-
Free of cost land transfer	-	-	(4,273)
	(356,162)	349,255	(255,389)
Development properties	48,890	131,451	(13,242)
Employees' receivable - home ownership scheme	20,168	8,948	6,015
Unbilled revenue	400,522	188,719	232,641
Trade receivables and other current assets	98,171	(176,705)	(102,591)
Contract liabilities	(154,578)	(274,289)	(44,694)
Trade and other payables	(205,688)	(292,007)	6,196
Other provisions	163,253	(108,519)	19,155
Restricted cash balances received	189	48,316	(353)
Addition to right-of-use assets	-	(8,611)	(3,250)
Cash (used in) / generated from operations	14,765	(133,442)	(155,512)
Financial charges paid on loan and borrowings	(197,957)	(192,914)	(39,382)
Financial charges paid on lease liabilities	(2,153)	-	-
Zakat paid	(32,574)	(9,720)	(38,141)
Employee benefit obligations paid	(9,502)	(8,681)	(5,468)
Net cash used in operating activities	(227,421)	(344,757)	(238,503)
Investment in short-term deposits	(80,112)	-	-
Proceeds from maturity of short-term deposits	80,112	-	-
Additions to property and equipment	(1,474)	(53,785)	(255,768)

Cash flow statement (SAR '000)	as of 31 December		
	2022G	2023G	2024G
Additions to investment properties	(8,176)	(1,037)	(13,241)
Financial income	1,891	2,110	2,857
Proceeds from sale of investment properties	29,216	90,767	43,352
Restricted cash balances received	55,810	-	-
Additions to intangible assets	(1,710)	(74)	(1,104)
Proceeds from sale of property and equipment	-	5,000	-
Net cash generated from investing activities	75,557	42,981	(223,904)
Proceeds from loans and borrowings	148,303	450,000	550,000
Repayments of loans and borrowings	(154,433)	(51,288)	-
Principal element of lease repayments	(298)	-	(14,303)
Net cash generated from / (used in) financing activities	(6,428)	398,712	535,697
Net increase/(decrease) in cash and cash equivalents	(158,292)	96,936	73,290
Cash and cash equivalents at the beginning of the year	240,433	82,141	179,077
Cash and cash equivalents at the end of the year	82,141	179,077	252,367

6. Legal Information

6.1 Board of Directors' Declarations

The Company's Board members declare the following:

- The Debt Conversion does not violate the applicable laws and regulations in the Kingdom of Saudi Arabia.
- The issuance of the New Shares does not breach any contract or agreement to which the Company is a party.
- All material legal information related to the Issuer has been disclosed in the Circular.
- This Section contains all material legal information related to the Debt Conversion documents that shareholders need to make an informed voting decision.
- There is no other material legal information omitted from this Section which exclusion would render other information misleading.
- Except as stated in Table 3.1 (*"The Board Ownership Before and After the Debt Conversion"*), the Board members (excluding conflicted directors, namely: (i) Fahd Abduljalil AlSaif, (ii) Naif Saleh Al-Hamdan, and (iii) Mansour Abdulrahman Al-Salem; due to their employment by the PIF) confirm that they have no direct or indirect interest in any of the Company's shares, the PIF's activities, or in any contract concluded or to be concluded between the Company and the PIF, and they confirm their full independence regarding the issuance of the shares subject to this Circular.

6.2 Origin of the Debt

The Debt subject to this Circular represents the amounts due under (a) the PIF Loan Agreement, and (b) the MOF Loan Agreement, which was novated by the Ministry of Finance to the PIF. The Debt includes the principal, interest, and fees, excluding any interest or fees accrued after 31 December 2024G. Below is a summary of the two loans and their origin.

6.2.1 The MOF Loan Novated to the PIF

The Company entered into the loan agreement with the Ministry of Finance on 20/06/1432H (corresponding to 23/05/2011 G) to provide a loan of SAR 5,000,000,000. The agreement was amended on 02/12/1436H (corresponding to 15/09/2015 G) to extend the grace period by an additional five financial years. The loan is subject to a commission based on the Saudi Interbank Offered Rate (SIBOR) plus a margin, for the purpose of developing King Abdullah Economic City. The agreement included mortgages on a number of the Company's lands, with a total book value of SAR 555,131,074.

On 07/08/1442H (corresponding to 20/03/2021G), the Ministry of Finance and the PIF executed a partial novation agreement, under which the Ministry transferred SAR 2,833,333,340 to the PIF. This amount was converted, pursuant to the Extraordinary General Assembly approval dated 19/02/1443H (corresponding to 26/09/2021G), into new shares at a nominal value of SAR 10 per share. Consequently, the PIF became a shareholder in the Company, owning 283,333,334 new shares, representing 25% of the Company's capital after that debt conversion. The Ministry of Finance remained the lender for the remaining portion of the loan.

On 02/03/1446H (corresponding to 05/09/2024G), the Ministry of Finance notified the Company of a loan novation agreement with the PIF dated 02/03/1446H (05/09/2024G), under which the remaining balance of the loan owed to the Ministry of Finance under the MOF Loan, including all accrued commissions, was novated to the PIF. The remaining amount payable on the loan, including commissions, as of 31 December 2024, was SAR 3,033,489,388.97.

Following this novation, the Company, the Ministry of Finance, and the PIF executed a mortgage novation agreement on 04/03/1446H (corresponding to 07/09/2024G) to novate the mortgages held by the Ministry of Finance to the PIF.

It is worth noting that the MOF Loan was rescheduled several times, the latest being prior to the novation to the PIF. The Ministry of Finance approved the Company's request for an additional one-year grace period until the next installment on 1 June 2025G, in addition to capitalizing the accrued interest for 2024G, amounting to SAR 191,780,738, as part of the novated loan.

The following table illustrates the repayment schedule of the Ministry of Finance loan, now owed to the PIF, based on the novation notice and as of 01 June 2024G.

Table 6.1: Repayment Schedule of the MOF Loan Payable to the PIF

Due Date	Installment	Amount Payable if the Debt Conversion Is Not Completed (SAR)
01/06/2025G	Capitalized commissions and deferred installment	742,473,062.88
01/06/2026G	Installment	361,500,000
01/06/2027G	Installment	361,500,000
01/06/2028G	Installment	361,500,000
01/06/2029G	Installment	361,500,000
01/06/2030G	Installment	361,500,000
01/06/2031G	Installment	361,631,160
Total		2,911,604,222.88

After the novation of the MOF Loan to the PIF, the Company has no outstanding loans due to the MOF.

6.2.2 The PIF Loan

The Company entered into a loan agreement with the PIF on 28/07/1444H (corresponding to 19/02/2023G) to obtain financing of up to SAR 1,000,000,000. As of the date of this Circular, the Company has utilized all available amounts under this loan agreement. The loan bears interest at the Saudi Interbank Offered Rate (SIBOR) plus an agreed-upon margin. The remaining amount payable under the loan, including commissions, as of 31 December 2024, is SAR 1,084,732,075.66.

According to the PIF Loan Agreement, the loan and its interest are payable in a single bullet installment upon maturity, 21 months from the date of the loan agreement. The PIF has obtained security over certain real estate assets within King Abdullah Economic City with a market value of no less than SAR 1.5 billion, and the Company has issued promissory notes under the loan agreement covering the principal and interest.

It is worth noting that the Company and the PIF have agreed, under this loan, to grant the PIF an option to convert the amounts due under the shareholder loan into shares in the Company's share capital, subject to the approval of the relevant regulatory authorities and the Company's EGM. For further details regarding the risks associated with the second loan from the PIF, please refer to Section 2.1.7 ("*Risks Related to the Second Loan from the PIF*").

6.2.3 The Debt Conversion Agreement

The Company entered into a Debt Conversion Agreement with the PIF on 04/03/1446H (corresponding to 07/09/2024G), under which the Debt will be converted into new shares in the Company to the PIF, along with an addendum agreement dated 09/09/1446H (corresponding to 09/03/2025G) and a second addendum to extend the term of the agreement entered into on 03/03/1447H (corresponding to 26/08/2025G). Below is a summary of the provisions under the agreement and its addendums:

Table 6.2: Summary of the Debt Conversion Agreement

Clause	Summary
Parties	The Company (Debtor) and the PIF (Lender).
Agreement on the Conversion	The parties initially agreed to settle the debt owed by the Company to the PIF, amounting to three billion nine hundred seventy-two million four hundred fifteen thousand ninety-one Saudi Riyals (SAR 3,972,415,091.23) and twenty-three halalas, through a debt conversion by issuing new shares to the PIF. The debt includes: - The loan due to the PIF under the loan agreement with the PIF, including accrued interest as of 31 August 2024, amounting to one billion sixty million eight hundred ten thousand eight hundred sixty-eight Saudi Riyals (SAR 1,060,810,868.35) and thirty-five halalas; and - The loan due to the Ministry of Finance, including accrued interest as of 1 June 2024, amounting to two billion nine hundred eleven million six hundred four thousand two hundred twenty-two Saudi Riyals (SAR 2,911,604,222.88) and eighty-eight halalas. Under the supplementary agreement dated 09/09/1446H (corresponding to 09/03/2025G), the parties agreed to increase the amount of debt to be converted to include all accrued interest up to 31 December 2024, thereby bringing the total convertible debt to four billion one hundred eighteen million two hundred twenty-one thousand four hundred sixty-four Saudi Riyals (SAR 4,118,221,464.63) and sixty-three halalas.

Clause	Summary
Conversion Formula	The parties agreed to determine the number and value of the new shares based on the conversion formula, which provides for a 25% discount to the volume-weighted average price of the Company's shares for the twelve (12) months preceding the trading day prior to the date of the notice convening the Capital Increase EGM, subject to a minimum price of ten (SAR 10) Saudi Riyals per share, and adjusting for any change in the share capital as applicable during this twelve (12)-month period.
Conditions Precedent to Completion	The Completion of the Debt Conversion is conditional upon the satisfaction of several conditions before the agreed longstop date. The parties initially agreed that the longstop date for satisfying the conditions shall be the earlier of: (i) six months from the date on which the parties agreed on the conversion formula (which occurred on 09/09/1446H (corresponding to 09/03/2025G)); or (ii) one year from the date of signing the Loan Conversion Agreement (which occurred on 04/03/1446H (corresponding to 07/09/2024G)), whichever is earlier. On 03/03/1447H (corresponding to 26/08/2025G), the parties entered into a Supplementary Agreement to extend this longstop date to 31 December 2025. The following is a summary of the conditions precedent: - Obtaining the approval of the Capital Increase EGM on the Transaction Resolution. - Obtaining the approval of the CMA on the registration and offering of the New Shares. - Obtaining the approval of the Saudi Exchange for the listing of the New Shares. - Obtaining the non-objection of the Ministry of Commerce to amend the Company's Bylaws to reflect the Capital Increase. - Depositing the New Shares and commencing their trading. - No breach occurring and continuing of the warranties and undertakings provided by the Company.
Effect on the Loan Agreement	Under the provisions of the Debt Conversion Agreement, the Company shall not be considered in default of its obligations under the Loan Agreement (both PIF and MOF loans) solely due to its failure to pay the amounts due until the Debt Conversion is completed. It should be noted that there are still interest and fees accruing on the loans that are not part of the Debt Conversion Agreement, namely any interest or charges due after 31 December 2024G.
Completion of the Debt Conversion	Subject to the fulfillment of the conditions precedent, the Debt Conversion shall be deemed completed at 10:00 a.m. on the day the New Shares are listed and trading commences. The Completion of the Debt Conversion shall constitute a full and final settlement between the Company and the PIF with respect to the Debt, including providing the Company with protection from any future claims related to the Debt.
Warranties and Covenants	The Company has provided the PIF with a number of warranties, including that it is not a party to any agreement or obligation granting any party the right or option to subscribe in the New Shares, that the New Shares will be issued free of any liens or encumbrances and will carry all rights of the Company's other shares, including voting rights and entitlement to dividends, and that the Company is not subject to any current or threatened litigation affecting its right to issue the New Shares. Additionally, the Company warranted that it is not insolvent under the law, and no petition for liquidation or equivalent has been filed against it, and it has obtained all regulatory licenses and approvals necessary to enter into the agreement and perform its obligations thereunder (other than the conditions precedent mentioned above). Furthermore, the parties have provided certain customary warranties to each other, typical in such agreements, including that each party is duly organized and authorized to enter into the agreement, that entering into the agreement and performing its obligations constitutes binding and enforceable obligations against the party, and that each party has obtained all necessary approvals to execute the agreement (other than the conditions precedent mentioned above).
Information Sharing and Confidentiality	The parties agreed to maintain the confidentiality of the agreement and any information shared in connection with the Debt Conversion, and each party agreed to keep such information confidential, except in certain cases, such as when required by law, for inclusion in this Circular, or if it becomes publicly available. Additionally, the parties agreed that the Company shall provide any information related to the Debt Conversion or its business upon the request of the PIF, and the PIF acknowledged that such information may include insider information subject to insider trading restrictions and agreed to comply with these rules.
Termination	Under the terms of the Debt Conversion Agreement, the PIF has the right to terminate the agreement prior to the Completion in certain cases, such as a material breach by the Company, suspension of the Company's shares, or the Company being subject to any bankruptcy proceedings (such as protective settlement procedures, financial restructuring, liquidation, or administrative liquidation), force majeure events, or other similar circumstances.
Costs	The parties agreed that each will bear its own costs related to the negotiations, execution of the agreement, and fulfillment of its obligations thereunder.
Governing Law and Dispute Resolution	The agreement is governed by Saudi law, and any disputes that cannot be resolved amicably within thirty (30) days shall be referred to the competent judicial authority in the Kingdom.

6.3 Regulatory Approvals and Other Required Consents to Complete the Debt Conversion

The Debt Conversion and Capital Increase require obtaining several regulatory approvals, as follows:

- The approval of the CMA for the registration and offering of the New Shares. This approval was obtained on 22/05/1447H (corresponding to 13/11/2025G).
- The approval of the Saudi Exchange for the listing of the New Shares. This approval was obtained on 15/05/1447H (corresponding to 06/11/2025G), and the approval by the Saudi Exchange of the Company's waiver from the requirements of paragraph (c) relating to the liquidity requirements set out in sub-paragraph (2) of paragraph (b) of Article (7) of the Listing Rules, which was obtained on 01/05/1447H (corresponding to 23/10/2025G).
- The non-objection from the Ministry of Commerce regarding the proposed amendments to the Company's Bylaws related to the Capital Increase. This non-objection was obtained on 28/05/1447H (corresponding to 19/11/2025G).
- The approval of the CMA to publish the invitation to convene the Capital Increase EGM. The invite has been published on the Saudi Exchange's website on 10/06/1447H (corresponding to 01/12/2025G).
- The approval of the requisite majority of the Company's shareholders – which is 75% of attending voting shares – on the Transaction Resolutions at the Capital Increase EGM on 01/12/1447H (corresponding to 01/12/2025G).

The extraordinary general assembly meeting is valid if shareholders representing at least half of the Company's voting shares attend. If quorum is not met at the first meeting, a second meeting is convened one hour after the end of the time set for the first meeting, provided the invitation to the first meeting indicates that a second meeting may be held one hour later if quorum is not achieved. The second meeting is valid if shareholders representing at least one-quarter (25%) of the Company's voting shares attend. If quorum is not reached at the second meeting, the Company will apply to the CMA to obtain approval for a third meeting, which will be announced and held no less than twenty-one (21) days from the date of the notice. The third meeting will be valid regardless of the number of voting shares represented.

All shareholders registered in the Company's shareholders' register at the end of trading on the Capital Increase EGM are entitled to attend. Shareholders may vote on the agenda electronically in accordance with the procedures in place. Votes at the general assembly are calculated on the basis of one vote per share. A shareholder unable to attend the general assembly (via electronic voting) loses the right to vote, and votes linked to their shares will not be considered. Except for conflicted Board members, any shareholder may vote on the transaction decisions.

6.4 Material Disputes

Except for the legal proceedings listed in the table below, and as of 31 October 2025G, there are no lawsuits or claims (including any pending or threatened litigation) that could have a material impact on the Company's or its Subsidiaries' business, or the financial position of the Company.

Table 6.3: List of Material Legal Proceedings

#	Claimant	Type of Dispute	Claim Amount (SAR)
1.	Company	Compensation for Moral Damages and Harm to Reputation	250,000,000
2.	Company	Contractual dispute	163,149,481
3.	Company	Non-delivery of sold goods	65,000,000
4.	Company	Settlement of Contractual Amounts	20,164,040
5.	Company	Contractual dispute	3,190,802
6.	Company	Settlement of Contractual Amounts	1,663,842.39
Total			503,168,165.39

6.5 Bankruptcy

There is no current bankruptcy case involving any member of the Board of Directors, senior executives, or the board secretary.

6.6 insolvency

The members of the Board of Directors confirm that there have been no cases of insolvency in the five years preceding the date of this Circular for any company in which any Board member, senior executive, or the board secretary held an administrative or supervisory position.



7. Expert Statements

The advisors and auditors listed in the “**Company Directory**” have provided their written consent to the publication of their names, addresses, logos, and statements (as applicable) in the context set out in this Circular. None of them have withdrawn such consent as of the date of this Circular, and none of their employees (those providing services to the Company) or their relatives own shares in the Company or its subsidiaries that could affect their independence.

8. Expenses

The Company will bear all costs and expenses related to the Debt Conversion, estimated at approximately seven and a half million (SAR 7,500,000) Saudi Riyals. These expenses include fees for the financial advisor, legal advisor, auditors, regulatory fees, and other related costs. It should be noted that these fees are estimated and were determined prior to the completion of all related procedures; accordingly, they may increase upon the completion of all relevant procedures.

9. Waivers

The Company obtained a waiver from the Saudi Exchange on 01/05/1447H (corresponding to 23/10/2025G) from the requirements of paragraph (c) relating to the liquidity requirements set out in subparagraph (2) of paragraph (b) of Article (7) of the Listing Rules. Pursuant to the waiver, the Company was permitted a liquidity ratio below the required level to reflect the Debt Conversion, provided that the percentage of shares held by the public does not fall below 21.6% following the Capital Increase. Both the Company and the PIF are required to increase this percentage to 30% within a period not exceeding five (5) years from the date of listing the new shares. The Company must coordinate with the CMA in the event of any impediment to implementing the plan to reach 30% public ownership of the Company's share capital.

10. Documents Available for Inspection

The Company will make the following documents available for inspection at its head office (2211, Al-Hijaz Road, Al-Balisan Unit 1, King Abdullah Economic City 23965-7373) from 10:00 AM to 3:00 PM during business days, from the date of publication of this Circular until the date of the Capital Increase EGM (which will be no less than 14 days before its scheduled date on 02/07/1447H (corresponding to 22/12/2025G):

1. The Debt and Debt Conversion documents and agreements, which are:
 - a. The loan agreement with the PIF and its amendments.
 - b. The loan agreement with the Ministry of Finance and its supplement.
 - c. The notice related to the novation of the Ministry of Finance loan to the PIF.
 - d. The debt conversion agreement and its addendum.
2. The Company's condensed consolidated pro forma financial information for the nine-month period ended 30 September 2024G.
3. A valuation report of the assets of the Company, and a document showing the valuation method agreed.
4. Letters of consent from the Issuer's advisors and auditors to use their names, logos, and statements (as applicable) in the Circular.
5. The statement prepared and signed by the Company's Directors, along with the auditor's report on the origin and amount of the Debt subject to conversion.

11. Appendices

- 11.1 Consolidated financial statements for the financial years ended 31 December 2022G, 2023G, and 2024G**
- 11.2 Condensed pro forma consolidated financial information of the Company for the nine-month period ended 30 September 2024G**
- 11.3 Proposed amendments to the Bylaws**

11.1 Consolidated financial statements for the financial years ended 31 December 2022G, 2023G, and 2024G.

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

**CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT FOR
THE YEAR ENDED 31 DECEMBER 2022**

**EMAAR THE ECONOMIC CITY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

Index	Page
Independent auditor's report	2 - 8
Consolidated statement of profit or loss and other comprehensive income	9
Consolidated statement of financial position	10 - 11
Consolidated statement of changes in equity	12
Consolidated statement of cash flows	13 - 14
Notes to the consolidated financial statements	15 - 103



Independent auditor's report to the shareholders of Emaar The Economic City

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Emaar The Economic City (the "Company") and its subsidiaries (together the "Group") as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022;
- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.

Material uncertainty related to going concern

We draw attention to Note 1 to the accompanying consolidated financial statements, which indicates that the Group incurred a loss of Saudi Riyals 1,157.3 million and had negative operating cash flows amounting to Saudi Riyals 227.4 million for the year ended 31 December 2022. In addition, the Group's current liabilities exceeded its current assets by Saudi Riyals 6,914.2 million and it had accumulated losses amounting to Saudi Riyals 4,690.1 as at that date. In addition, the Group has not complied with the requirements of covenants related to long-term borrowing facilities, resulting in borrowings with outstanding balance of Saudi Riyals 2,777.5 million as at 31 December 2022 being immediately due and payable on demand in accordance with the terms and conditions of the borrowing agreements. The Group's ability to meet its obligations as they fall due and to continue its operations without significant curtailment is therefore highly dependent on the successful execution of management's plans including debt restructuring, obtaining additional funding from shareholders and the sale of properties to generate sufficient cash flows. These events and conditions, along with other matters set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. The accompanying consolidated financial statements do not include the adjustments that would be necessary if the Group were unable to continue as a going concern.

Our opinion is not modified in respect of this matter.

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Independent auditor's report to the shareholders of Emaar The Economic City (continued)

Our audit approach

Overview

Key Audit Matters

- Impairment assessment of property and equipment, investment properties and right-of-use assets
- Valuation of development properties

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

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



Independent auditor's report to the shareholders of Emaar The Economic City (continued)

Key audit matter	How our audit addressed the Key audit matter
Impairment assessment of property and equipment, investment properties and right-of-use assets The Group has property and equipment, investment properties and right-of-use assets amounting to Saudi Riyals 5,064.9 million, Saudi Riyals 4,739.0 million and Saudi Riyals 57.3 million, respectively, as at 31 December 2022 which represents significant balances in the Group's consolidated statement of financial position as of that date. Property and equipment, investment properties and right-of-use assets are carried at cost less accumulated depreciation and impairment losses, if any. At each reporting date, the Group reviews whether there are any events or changes in circumstances (impairment indicators) which indicate that the carrying amount may not be recoverable. If any impairment indicators exist, management performs a detailed impairment assessment by calculating the recoverable amounts, being the higher of value-in-use and fair value less costs of disposal, for the property and equipment, investment properties and right-of-use assets at the Cash-Generating Unit ("CGU") level and comparing them against their carrying amounts. For the purpose of the consolidated financial statements for the year ended 31 December 2022, management identified the negative operating cash flows and higher than budgeted operating losses as impairment indicators and, accordingly, performed an impairment assessment of property and equipment, investment properties and right-of-use assets as at 31 December 2022. For the purpose of impairment assessment, management engaged professionally qualified external valuer (the "Valuer") licensed by the Saudi Authority for Accredited Valuers who performed their work in accordance with the International Valuation Standards Council (IVSC) as well as the regulations issued by the Saudi Authority for Accredited Valuers (TAQEEM).	We obtained the impairment assessment carried out by management and performed the following audit procedures: - Assessed the appropriateness of the identification of the CGU for which the impairment assessment was performed. - Evaluated management's assessment of the existence of impairment indicators. - Assessed the competence, capabilities and objectivity of the Valuer engaged by management. - Tested the mathematical accuracy of the calculations included within management's impairment assessment. - Involved our internal valuation experts who performed the following procedures: - Reviewed the methodology applied by the Valuer to ensure the valuation approach used and methodology adopted by the Valuer is appropriate for determining the recoverable value of property and equipment and investment properties; and - Assessed the reasonableness of key underlying assumptions used by the Valuer and management. - Checked the accuracy of the input data used by management to estimate the value-in-use based on discounted cash flow models. - Assessed management's sensitivity analysis around the impact of any change in key assumptions used by management to the recoverable amount of the CGU. - Assessed the adequacy and appropriateness of the related disclosures in the accompanying consolidated financial statements.



Independent auditor's report to the shareholders of Emaar The Economic City (continued)

Key audit matter	How our audit addressed the Key audit matter
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Recoverable amounts, in case of value-in-use, are based on management's view of key assumptions around future business growth in the forecasted period as well as external market conditions such as expected future sales prices as set out in the approved business plans of the respective CGUs. It also requires management to determine the most appropriate discount rates.

The valuation of the Group's property and equipment, investment properties and right-of-use assets, for the purpose of impairment assessment and the disclosure of the fair value in the Group's consolidated financial statements at 31 December 2022, is inherently subjective due to, among other factors, the individual nature of each property, its location, the expected future cash flows for the properties valued under the 'income approach' and comparable selling prices for the properties that have been valued using the 'market approach'.

Based on the impairment assessment performed, management has determined that the recoverable value of certain of the Group's CGUs were lower than their carrying amounts, and accordingly, recorded an impairment loss of Saudi Riyals 59.0 million for the year ended 31 December 2022.

We considered this to be a key audit matter as the evaluation of the recoverable amount of the CGU requires significant estimation and critical management judgment and any significant variation in determination of the valuation inputs could have a material impact on the value of the Group's property and equipment, investment properties and right-of-use assets.

Refer to Note 3 to the accompanying consolidated financial statements for the disclosure of critical accounting estimates and judgements, Note 4 to the accompanying consolidated financial statements for the accounting policy relating to the impairment of property and equipment, investment properties and right-of-use assets and Notes 13, 15 and 14 to the accompanying consolidated financial statements for the disclosure of other matters related to impairment assessment.



Independent auditor's report to the shareholders of Emaar The Economic City (continued)

Key audit matter	How our audit addressed the Key audit matter
Valuation of development properties	
The Group holds development properties amounting to Saudi Riyals 1,386.7 million as at 31 December 2022. Development properties are carried at the lower of cost and net realisable value ("NRV") and principally include completed and under development residential units and free-hold land parcels. The Group estimates NRV as the estimated selling price in the ordinary course of business less estimated costs to complete and estimated cost to make the sale. For the purpose of estimating the NRV, management engaged professionally qualified external valuer (the "Valuer") licensed by the Saudi Authority for Accredited Valuers who performed their work in accordance with the International Valuation Standards Council (IVSC) as well as the regulations issued by the Saudi Authority for Accredited Valuers (TAQEEM). Furthermore, management has also performed an assessment of estimating the future selling price with reference to recent sales transactions of comparable properties. The valuation of the Group's development properties, for the purpose of NRV, is inherently subjective due to, among other factors, the individual nature of each property, its location and comparable selling prices. We considered this to be a key audit matter because the significance of the estimates and judgements involved in determining the NRV of development properties, such as the Group's estimate of the sales price warrants specific audit focus in this area as any significant change in this estimate, could have a material impact on the carrying value of the Group's development properties. Refer to Note 3 to the accompanying consolidated financial statements for the disclosure of critical accounting estimates and judgements, Note 4 to the accompanying consolidated financial statements for the accounting policy relating to development properties and Note 18 to the accompanying consolidated financial statements for the disclosure of other related financial information.	We performed the following audit procedures in relation to the Group's assessment of valuation of development properties: - Assessed the competence, capabilities and objectivity of the Valuer engaged by management. - Involved our internal valuation experts who performed the following procedures: - Reviewed the methodology applied by the Valuer to ensure the valuation approach used and methodology adopted by the Valuer is appropriate for determining the NRV of development properties for the purpose of the consolidated financial statements; - Assessed the reasonableness of key underlying assumptions used by the Valuer and management. - Evaluated the reasonableness of the Group's estimated sales prices, estimated costs to complete and estimated costs to make the sale through a combination of management discussions and test of details. - Assessed the adequacy and appropriateness of the related disclosures in the accompanying consolidated financial statements.



Independent auditor's report to the shareholders of Emaar The Economic City (continued)

Other information

The directors are responsible for the other information. The other information comprises the Board of Directors' report but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's 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, on the other information that we obtained prior to the date of this auditor's report, 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 the applicable requirements of the Regulations for Companies and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 scepticism throughout the audit. We also:

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



Independent auditor's report to the shareholders of Emaar The Economic City (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, 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.

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, actions taken to eliminate threats or safeguards applied.

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

PricewaterhouseCoopers



Mufaddal A. Ali
License Number 447

9 April 2023



EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Consolidated statement of profit or loss and other comprehensive income
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	For the year ended 31 December	
		2022	2021 (Restated – Note 38)
Revenue	6	363,267	372,079
Cost of revenue	7	(580,770)	(609,134)
Gross loss		(217,503)	(237,055)
Selling and marketing expenses	8	(61,748)	(78,782)
General and administrative expenses	9	(422,633)	(250,713)
Impairment loss on financial and contract assets	19, 20	(63,033)	(55,490)
Impairment loss on non-financial assets	13	-	(15,560)
Depreciation	13, 14	(53,231)	(53,841)
Amortisation	16	(1,865)	(8,023)
Other operating income	11	25,486	90,701
Operating loss		(794,527)	(608,763)
Financial income		1,891	558
Financial charges	10	(290,192)	(243,163)
Share of profit of equity accounted investee	17	25,046	45,839
Loss before zakat		(1,057,782)	(805,529)
Zakat	29	(99,508)	(31,000)
Loss for the year		(1,157,290)	(836,529)
Other comprehensive income			
<i>Items that will be reclassified to profit or loss in subsequent periods:</i>			
Share of other comprehensive income of equity accounted investee	17	28,651	41,382
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>			
Re-measurement gain on defined benefit obligations	27	6,609	7,499
Other comprehensive income for the year		35,260	48,881
Total comprehensive loss for the year		(1,122,030)	(787,648)
Loss per share:			
Basic and diluted loss per share attributable to equity holders of the Parent Company (in Saudi Riyals per share)	12, 38	(1.02)	(0.90)

The accompanying notes from 1 to 40 form an integral part of these consolidated financial statements, which have been authorised for issue by the Board of Directors on behalf of the shareholders and signed on its behalf by:

 **Chairman Board of Directors**
 **Chief Executive Officer**
 **Chief Financial Officer**

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Consolidated statement of financial position
 (All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	As at 31 December 2022	As at 31 December 2021 (Restated – Note 38)	As at 1 January 2021 (Restated – Note 38)
Assets				
Non-current assets				
Property and equipment	13	5,064,924	5,364,992	5,609,660
Right-of-use assets	14	57,291	67,701	84,250
Investment properties	15	4,739,035	4,831,742	4,906,277
Intangible assets	16	4,275	4,430	7,877
Investment in equity accounted investees	17	2,586,740	2,533,043	2,445,822
Development properties	18	565,935	578,451	864,263
Unbilled revenue	20	588,849	622,654	1,083,126
Employees' receivable - home ownership scheme	22	60,123	75,681	85,871
Restricted cash	21	45,389	101,199	100,000
Total non-current assets		13,712,561	14,179,893	15,187,146
Current assets				
Development properties	18	820,802	838,275	596,384
Unbilled revenue	20	154,676	520,913	591,065
Current portion of employees' receivable - home ownership scheme	22	3,858	4,116	4,214
Trade receivables and other current assets	19	425,594	586,798	644,236
Short-term investments		-	-	101,358
Restricted cash – current portion	21	6,333	6,522	11,798
Cash and cash equivalents	21	82,141	240,433	63,106
Total current assets	1	1,493,404	2,197,057	2,012,161
Total assets		15,205,965	16,376,950	17,199,307
Equity and liabilities				
Equity				
Share capital	23	11,333,333	11,333,333	8,500,000
Statutory reserve	24	11,536	11,536	11,536
Accumulated losses		(4,690,092)	(3,568,062)	(2,761,636)
Total equity		6,654,777	7,776,807	5,749,900
Non-current liabilities				
Long-term borrowings	25	76,917	2,378,533	5,475,161
Lease liabilities	14	25,815	36,556	51,319
Employee benefit obligations	27	40,841	43,371	61,937
Total non-current liabilities		143,573	2,458,460	5,588,417

The accompanying notes from 1 to 40 form an integral part of the consolidated financial statements, which have been authorised for issue by the Board of Directors on behalf of the shareholders and signed on its behalf by:


 Chairman Board of Directors


 Chief Executive Officer


 Chief Financial Officer

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Consolidated statement of financial position (continued)
 (All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	As at 31 December 2022	As at 31 December 2021 (Restated – Note 38)	As at 1 January 2021 (Restated – Note 38)
Current liabilities				
Lease liabilities - current portion	14	55,448	45,005	40,799
Long-term borrowings - current portion	25	5,962,373	3,579,797	2,964,709
Short-term borrowings	26	201,765	198,773	472,933
Trade and other payables	28	1,809,318	2,169,584	2,186,264
Other provisions	31	163,253	-	-
Zakat provision	29	215,458	148,524	196,285
Total current liabilities	1	8,407,615	6,141,683	5,860,990
Total liabilities		8,551,188	8,600,143	11,449,407
Total equity and liabilities		15,205,965	16,376,950	17,199,307

The accompanying notes from 1 to 40 form an integral part of the consolidated financial statements, which have been authorised for issue by the Board of Directors on behalf of the shareholders and signed on its behalf by:

		
Chairman Board of Directors	Chief Executive Officer	Chief Financial Officer

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Consolidated statement of changes in equity
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Share capital	Statutory reserve	Accumulated losses	Total Equity
Balance as at 1 January 2021 (Restated – Note 38)		8,500,000	11,536	(2,761,636)	5,749,900
Loss for the year		-	-	(836,529)	(836,529)
Other comprehensive income for the year		-	-	48,881	48,881
Total comprehensive loss for the year		-	-	(787,648)	(787,648)
Increase in share capital from converting long-term loan to equity	23	2,833,333	-	-	2,833,333
Transaction costs arising from conversion of long-term loan to equity	23	-	-	(18,778)	(18,778)
Balance as at 31 December 2021 (Restated – Note 38)		11,333,333	11,536	(3,568,062)	7,776,807
Balance as at 1 January 2022 (Restated – Note 38)		11,333,333	11,536	(3,568,062)	7,776,807
Loss for the year		-	-	(1,157,290)	(1,157,290)
Other comprehensive income for the year		-	-	35,260	35,260
Total comprehensive loss for the year		-	-	(1,122,030)	(1,122,030)
Balance as at 31 December 2022		11,333,333	11,536	(4,690,092)	6,654,777

The accompanying notes from 1 to 40 form an integral part of the consolidated financial statements, which have been authorised for issue by the Board of Directors on behalf of the shareholders and signed on its behalf by:

		
Chairman Board of Directors	Chief Executive Officer	Chief Financial Officer

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Consolidated statement of cash flows
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	For the year ended 31 December	
		2022	2021 (Restated – Note 38)
Operating activities			
Loss before zakat		(1,057,782)	(805,529)
<u>Adjustments for:</u>			
Depreciation on property and equipment	13	228,950	234,625
Depreciation on investment properties	15	39,169	51,194
Depreciation on right-of-use assets	14	10,410	16,549
Impairment loss on financial and contract assets	19, 20	63,033	55,490
Amortization	16	1,865	8,023
Financial charges	10	290,192	243,163
Share of results of equity accounted investees	17	(25,046)	(45,839)
Financial income		(1,891)	(558)
Interest income on unwinding of unbilled revenue		(480)	(34,529)
Gain on disposal of investment properties	11	(7,876)	(13,535)
Provision for development properties		409	38,701
Impairment reversal on investment properties	15	(11,853)	(6,064)
Impairment on property and equipment	13	26,069	15,560
Impairment on investment properties	15	32,917	-
Capital work in progress write-off	13	46,523	-
Interest income on unwinding of employees' receivable – home ownership scheme		(4,352)	2,952
Provision for employees benefit obligations	27	13,581	14,083
		(356,162)	(225,714)
<u>Changes in operating assets and liabilities:</u>			
Development properties		48,890	20,659
Employees' receivable – home ownership scheme		20,168	7,336
Unbilled revenue		400,522	553,174
Trade receivables and other current assets		98,171	13,927
Trade and other payables		(360,266)	(12,575)
Other liabilities		163,253	-
Restricted cash balances received		189	5,276
Net cash generated from operations		14,765	362,083
Financial charges paid on borrowings		(197,957)	(112,392)
Financial charges paid on lease liabilities		(2,153)	(2,871)
Zakat paid	29	(32,574)	(78,761)
Employee benefit obligations paid	27	(9,502)	(25,150)
Net cash (used in) / generated from operating activities		(227,421)	142,909
Investing activities			
Investment in short-term deposits		(80,112)	(598,230)
Proceeds from maturity of short-term deposits		80,112	699,588
Additions to property and equipment	13	(1,474)	(7,294)
Additions to investment properties	15	(8,176)	(2,564)
Financial income		1,891	558
Proceeds from sale of investment properties		29,216	30,065
Restricted cash balances received		55,810	-
Restricted cash balances disbursement		-	(1,199)
Additions to intangible assets	16	(1,710)	(2,799)
Net cash generated from investing activities		75,557	118,125


Chairman Board of Directors


Chief Executive Officer


Chief Financial Officer

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Consolidated statement of cash flows (continued)
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	For the year ended 31 December	
		2022	2021 (Restated – Note 38)
Financing activities			
Proceeds from loans and borrowings		148,303	3,980
Repayments of loans and borrowings		(154,433)	(55,481)
Transaction cost for increase in share capital		-	(18,778)
Principal element of lease repayments		(298)	(13,428)
Net cash used in financing activities		(6,428)	(83,707)
et (decrease) / increase in cash and cash equivalents		(158,292)	177,327
Cash and cash equivalents at the beginning of the year		240,433	63,106
Cash and cash equivalents at the end of the year	21	82,141	240,433
Non-cash supplementary information	34		

The accompanying notes from 1 to 40 form an integral part of the consolidated financial statements, which have been authorised for issue by the Board of Directors on behalf of the shareholders and signed on its behalf by:



Chairman Board of Directors



Chief Executive Officer



Chief Financial Officer

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022

(All amounts in Saudi Riyals thousands unless otherwise stated)

1. General information

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

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

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

Branch	CR number
Jeddah	4030164269
Riyadh	1010937549
Rabigh	4602006934

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

Name	Country of incorporation	Year of incorporation	Effective ownership percentage as at 31 December (directly or indirectly)	
			2022	2021
Economic Cities Investments Company Limited ("ECIC")	Kingdom of Saudi Arabia	2010	100%	100%
Industrial Zones Development Company Limited ("IZDCL")	Kingdom of Saudi Arabia	2011	100%	100%
Economic Cities Real Estate Properties Operation and Management Company ("REOM")	Kingdom of Saudi Arabia	2013	100%	100%
Economic Cities Pioneer Real Estate Management Company ("REM")	Kingdom of Saudi Arabia	2013	100%	100%
Economic Cities Real Estate Development Company ("RED")	Kingdom of Saudi Arabia	2013	100%	100%
Emaar Knowledge Company Limited ("EKC")	Kingdom of Saudi Arabia	2015	100%	100%

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

1 General information (continued)

Going Concern

The Group incurred a loss of Saudi Riyals 1,157.3 million (for the year ended 31 December 2021: loss of Saudi Riyals 836.5 million) and had negative operating cash flows amounting to Saudi Riyals 227.4 million for the year ended 31 December 2022 (positive operating cash flows for the year ended 31 December 2021 of Saudi Riyals 142.9 million). In addition, the Group's current liabilities exceeded its current assets by Saudi Riyals 6,914.2 million and it had accumulated losses amounting to Saudi Riyals 4,690.1 million as at 31 December 2022 (31 December 2021: current liabilities exceed current assets by Saudi Riyals 3,944.6 million and accumulated losses amounted to Saudi Riyals 3,568.1 million). In addition, the Group has not complied with the requirements of covenants related to long-term borrowing facilities, resulting in borrowings with outstanding balance of Saudi Riyals 2,777.5 million (See note 25) as at 31 December 2022 being immediately due and payable on demand in accordance with the terms and conditions of the borrowing agreements. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

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

a) Industrial Valley

KAEC's Industrial Valley ("IV") is considered one of the most sought-after industrial and logistics destinations in the country benefiting from close proximity to the King Abdullah Port ("KAP" or the "Port"), one of the largest and most advanced seaports in the region. KAP is also the first privatised port in the Kingdom of Saudi Arabia. The Government's National Industrial Plan prioritizes logistics and transportation, and the Port should drive additional logistics investment in the city in this regard.

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

The direct link between the IV and King Abdullah Port in KAEC makes the IV a global logistics hub and an access point to reach 250+ million consumers in the Middle East and North Africa, making it one of the key drivers of the Saudi economy. It incorporates five industrial clusters: FMCG/foods, logistics, pharmaceuticals, plastics, and building materials. Additionally, it provides ready industrial lands connected to a state-of-the-art infrastructure.

The IV is also now becoming a hub for Electric Vehicles (EV) and other automotive manufacturing companies in the Kingdom of Saudi Arabia. During 2022, the Company entered into the following agreements:

- Lucid Company - Lease of an industrial plot in IV with a purpose to construct and operate an automotive manufacturing and assembly facility together with all ancillary services.
- CEER National Automotive Company - Industrial land sale contract in IV to build and operate a specialised factory to manufacture electric vehicles.

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

b) Tourism

The Group is now focusing on making KAEC Saudi Arabia's top all-purpose tourist destination and provide tourists with top-notch travel and leisure opportunities. The creation of distinctive tourist attractions, leisure and entertainment opportunities, locations for events, and outstanding hospitality services for Saudi Arabia's local tourists from all areas as well as foreign visitors. The Group plans to develop an entertainment district which will include two theme parks, a motor park and approximately 2,100+ hotel rooms.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

1 General information (continued)
Going Concern (continued)

The Group has signed a framework cooperation agreement with the Tourism Development Fund, "FTG Development Company", Albilad Investment Company and "Ekofine Holding BV" to start the procedures for establishing a Saudi Riyals 1.8 billion closed and private investment fund. The fund will be responsible to develop and operate a five-star comprehensive resort and hotel with a water park and luxury overwater villas under the brand of Rixos, one of the trademarks owned by Accor International. The Rixos Emerald Shores project is one of the largest tourist resorts targeted to be established in KAEC and is unique in the Kingdom of Saudi Arabia as it is planned that the resort will be constructed on a land of a total area of 275 thousand square meters.

The Group had in the past significantly reduced its development activities pursuant to the continued overall lower economic activity in KAEC. Debt financing has been utilized to fund the development activities in KAEC and working capital requirements of the Group. The projected operating cash flows of the Group, for the next twelve-months, are insufficient to meet the repayment of debt and other obligations therefore the successful execution of management's plans to generate sufficient cash flows from debt restructuring, additional funding from shareholders and the sale of properties is of immense significance to meet both the Group's obligations when they become due and to continue its operations without significant curtailment. These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

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

At 31 December 2022	Within 1 year	1-2 years	2-5 years	Over 5 years	Total contractual cash flows
Loans and borrowings	6,687,674	419,965	721,282	251,958	8,080,879
Trade and other payable	822,680	-	-	-	822,680
Short term borrowings	201,765	-	-	-	201,765
Lease liabilities	57,167	9,822	20,859	-	87,848
Total	7,769,286	429,787	742,141	251,958	9,193,172

In assessing the appropriateness of applying the going concern basis in the preparation of these consolidated financial statements, the Group's management has developed a plan for twelve months from 31 December 2022 to enable the Group to meet both its obligations as they become due and to continue its operations, without significant curtailment, as a going concern in both the short and long term.

Management has concluded that the Group will not be able to fully satisfy its cash requirements from the sale of properties alone and, accordingly, in such a scenario, the Group has already initiated discussions to restructure its borrowing facilities, which are elaborated below.

The plan comprises the Group's liquidity and forecasted cash flows taking into account reasonably possible outcomes over a twelve-month period from 31 December 2022. This plan principally includes:

Plan	Description	Amount (Saudi Riyals)	Details
Debt restructuring	Loan due to Ministry of Finance ("MoF") - Note 25 (b)	2,531.0 million	The Group is in discussion with the MoF to finalise a restructuring agreement to defer the repayment of the loan obligation amounting to Saudi Riyals 2,531.0 million, to be payable starting from June 2024, in six equal annual installments, including interest due of Saudi Riyals 363.9 million, classified under current liabilities. As disclosed in Note 25, previously, the Group received an approval from the MoF, conditional upon signing of amendment to the original MoF loan agreement, wherein the MoF approved conversion of accrued interest, amounting to Saudi Riyals 363.9 million, as principal outstanding and deferral of the obligation, amounting to Saudi Riyals 2,531.0 million, with repayments starting from June 2024.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

Plan	Description	Amount (Saudi Riyals)	Details
Debt restructuring	Loan due to local banks – Note 25 (c), (d), (e), (f)	3,362.9 million	The Group is currently preparing a detailed business transformation plan and expects that it will be able to restructure all of its loan agreements after submission of the business transformation plan to the banks. However, in the intervening period, the Group has applied for support from all of the commercial banks, during which the Group has requested the commercial banks to postpone the principal repayments of the existing borrowing facilities. Although to date, the Group has only received the acknowledgement of support from one commercial bank relating to an outstanding obligation of Saudi Riyals 114.1 million, nonetheless, the Group's management is confident that acknowledgements will be received from the remaining commercial banks as well. The Group's obligations against lenders and banks carry financial covenants in respect of loans amounting to Saudi Riyals 3,246.4 million, disclosed in Note 25. During the year ended 31 December 2022, the Group has not complied with the requirements of covenants related to long-term borrowing facilities with an outstanding obligation of Saudi Riyals 3,246.4 million. Consequently, the management has classified the outstanding obligation under current liabilities. The management has applied to the lenders to obtain a waiver and one of the lenders confirmed via vide letter dated 29 June 2022 that the request is in process. Also, during the year ended 31 December 2022, the Group signed a restructuring agreement, with one of the lenders, containing repayments from June 2023. On this basis, the Group's management is confident that waivers on all loans where the Group is in breach of its covenants, are expected to be granted.
New financing	Loan from Public Investment Fund ("PIF")	850.0 million	During December 2022, the BoD passed a resolution to start discussions with the three major shareholders to obtain an additional finance facility amounting to Saudi Riyals 1,000 million. Subsequently, during February 2023, the Group signed a Term Loan Facility with one of its substantial shareholders, PIF, for up to Saudi Riyals 1,000 million to be repaid after 18 months through a single bullet payment at maturity. Financial costs on the facility will be based on SIBOR + spread. The loan contains a conversion option to equity, exercisable by PIF, subject to certain required approvals under the applicable laws and regulations. The loan is secured against certain real estate assets within KAEC. The loan facility will be used to finance specific critical expenses including strategic capital expenditures. Management expects to draw down Saudi Riyals 850 million from this facility.
New financing	Additional funding from shareholders	800.0 million	The Group expects to receive additional funding, amounting to Saudi Riyals 800 million, from its shareholders during the course of the next twelve months period.
Cost optimization	Operational performance	-	The Group has commenced an exercise to identify operational areas for cost optimization. Various measures are being considered to preserve cash and improve the overall liquidity position as a result of various cost optimization initiatives.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022

(All amounts in Saudi Riyals thousands unless otherwise stated)

Plan	Description	Amount (Saudi Riyals)	Details
Sale of properties	Operational performance	803.3 million	The Group has identified certain plots of land and properties for sale on which discussions are going on and it expects to generate aggregate cash amounting to Saudi Riyals 803.3 million within twelve months from the date of the consolidated statement of financial position. The Group expects multiple sales discussions to materialize over the course of the next twelve months period.
Collection from operations and receivables	Operational performance	438.4 million	The Group expects to generate cash flows from its operating assets and collection from the outstanding receivables amounting to Saudi Riyals 438.4 million, over the course of the next twelve months period.

Based on the above plan, the Group's cash flow forecast for the twelve-month period from the reporting date indicates a net positive cash flow position amounting to Saudi Riyals 608.3 million. Although, there is a material uncertainty related to the successful execution and conclusion of the above plan, management has considered a base case scenario only as management continues to believe projected cash flows plan through debt restructuring, covenant waivers and, raising additional funding from shareholders and sale of properties is highly probable and these plans will be successful and materialise as expected and that it remains appropriate to prepare the consolidated financial statements on a going concern basis as the above plan mitigates any shortfall that may arise during the next 12 months.

2 Basis of preparation

2.1 Statement of compliance

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

2.2 Basis of measurement

These consolidated financial statements are prepared under the historical cost convention except as otherwise disclosed in the accounting policies below.

2.3 Functional and presentation currency

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

3 Critical accounting estimates and judgements

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

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

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

3 Critical accounting estimates and judgements (continued)

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

3.1 Judgements

Satisfaction of performance obligations

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognizing revenue. The Group has assessed that based on the sale agreements entered into with customers and the provisions of relevant laws and regulations, where contracts are entered into, to provide real estate assets to customers, the Group does not create an asset with an alternative use to the Group and usually has an enforceable right to payment for performance completed to date. Based on this, the Group recognizes revenue over time. Where this is not the case, revenue is recognized at a point in time.

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

Debt to equity swap accounted for under IFRIC 19

During the prior year, the Company increased its share capital through conversion of debt (refer Note 23 and Note 25). The Company has considered that for the purpose of fair valuation of shares, level 3 inputs were more appropriate since the shares issued have not been listed and are not part of free float shares of the Company.

Going Concern

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

Classification of infrastructure assets

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

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

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

a) Rights to the infrastructure assets

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

b) Potential to produce economic benefit

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

c) Control

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

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

3 Critical accounting estimates and judgements (continued)

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

3.2 Estimations and assumptions

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

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

An increase or decrease of 10% in the loss rates (PD and LGDs) assuming macro-economic factors remain the same, will result in an increase of Saudi Riyals 44.72 million or a decrease of Saudi Riyals 89.44 million, respectively, in the ECL allowance.

Useful lives of property and equipment and investment properties

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

As at 31 December, 2022, if the estimated useful life of the property and equipment and investment properties' increased or decreased by 10%, with all other variables held constant, total comprehensive loss for the year ended would have been Saudi Riyals 282.59 million higher or Saudi Riyals 231.21 million lower respectively.

Cost to complete the projects

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

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

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

Estimation of net realisable value of development properties

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

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

4 Significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all periods presented.

4.1 Basis of Consolidation

(a) Subsidiaries

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2022. Subsidiaries are all entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

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

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

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

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

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

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

4 Significant accounting policies (continued)

4.1 Basis of Consolidation (continued)

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

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

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

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

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

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

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

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

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

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

4 Significant accounting policies (continued)

4.2 Current versus non-current classification

Assets

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

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

All other assets are classified as non-current.

Liabilities

A liability is current when:

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

The Group classifies all other liabilities as non-current.

4.3 Revenue recognition

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

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

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

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

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

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

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

- Step 1. Identify the contract with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.
- Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

4 Significant accounting policies (continued)

4.3 Revenue recognition (continued)

- Step 3. Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- Step 5. Recognize revenue when (or as) the entity satisfies a performance obligation.

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

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

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

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

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

Sale of development properties

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

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

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

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

The Group provides certain warranties that provide assurance with respect to the development properties. These are backed by the warranties provided by the sub-contractors.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

4 Significant accounting policies (continued)

4.3 Revenue recognition (continued)

Rental income

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

Rental revenue on percentage of turnover basis is recorded based on turnover of the respective tenants.

Service revenue

Revenue from rendering of services is recognized over a period of time when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the transaction at the reporting date. Where the outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are eligible to be recovered.

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

Hospitality and leisure revenue

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

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

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

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

Education revenue

It comprises of revenue from tuition fees and other fees. The revenue is recognized net of discount and applicable taxes on an accrual basis when the services are rendered. In case of revenue from tuition fees, performance obligation is satisfied over time and revenue is recognized on a monthly basis, as the education services are rendered to the customers. In case of other fees, revenue is recognised at a point in time.

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

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

Significant financing component

In cases where deferred payment terms are agreed, the transaction price is adjusted to reflect the impact of significant financing component.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

4 Significant accounting policies (continued)

4.4 Cost of revenue

Cost of revenue includes the cost of land, development and other service-related costs. The cost of revenue is proportionate to sold units and is based on the cost incurred to-date to the estimated total costs for each project. The costs of revenues in respect of hospitality and leisure business, services, education and rental income is based on the cost of providing the services.

4.5 Selling, marketing and general and administrative expenses

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

4.6 Zakat and taxes

Zakat

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

Withholding tax

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

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

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

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

4.7 Financial income and financial costs

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

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

4 Significant accounting policies (continued)

4.7 Financial income and financial costs (continued)

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

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

4.8 Foreign currencies

Functional and presentational currency

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

Transactions and balances

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

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

4.9 Property and equipment

Recognition and measurement

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

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

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

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

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

4 Significant accounting policies (continued)

4.9 Property and equipment (continued)

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

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

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

Depreciation

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

Capital work-in-progress (CWIP)

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

4.10 Leases

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

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

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

4 Significant accounting policies (continued)

4.10 Leases (continued)

Group as a lessee

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

Right-of-use assets:

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

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

Lease liabilities:

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

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

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

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

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

4 Significant accounting policies (continued)

4.10 Leases (continued)

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

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

Group as a lessor

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

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

The Group operates an "Employee Home Ownership Scheme" which is categorized as a finance lease. Under the scheme, the Group sells the built units to employees under interest free finance lease arrangement for a period of twenty years. Generally, the employee is entitled to continue in the scheme, even after retirement, resignation or termination from the Group. The gross value of the lease payments is recognized as a receivable under employee home ownership scheme. The difference between the gross receivable and the present value of the receivable is recognized as an unearned interest income with a corresponding impact in the consolidated statement of profit or loss and other comprehensive income as an employee benefit expense. Financial income is recognized in the consolidated statement of profit or loss and other comprehensive income over the term of the lease using the effective rate of interest. In case of cancellation of the employee home ownership contract by the employee, the amount paid by the employee under the scheme is forfeited and recognized in the consolidated statement of profit or loss and other comprehensive income.

4.11 Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs that are directly attributable to the construction of an asset, other than development properties, are capitalized using capitalization rate up to the stage when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed and, thereafter, such costs are charged to the consolidated statement of profit or loss and other comprehensive income. In case of specific borrowings, all such costs, directly attributable to the acquisition or construction of an asset, other than development properties, that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur.

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

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

4 Significant accounting policies (continued)

4.12 Investment properties

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

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

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

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

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

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

4.13 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles are not capitalized and the related expenditure is reflected in the consolidated statement of profit or loss and other comprehensive income in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of profit or loss and other comprehensive income in the expense category that is consistent with the function of the intangible assets.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

4 Significant accounting policies (continued)

4.13 Intangible assets (continued)

The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognized.

4.14 Trade receivables

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. If collection is due for settlement within a year they are classified as current. If not, they are presented as non-current. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

4.15 Impairment of non-financial assets other than development properties

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

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

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

4.16 Development properties

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

The management reviews the carrying values of development properties on an annual basis.

At each reporting date, the management categorizes the development properties as current or non-current based on their expected realisation date.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

4 Significant accounting policies (continued)

4.17 Financial instruments

Initial recognition – Financial assets and financial liabilities

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

Financial assets

Initial Measurement

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

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

Classification and subsequent measurement

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

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

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

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

Financial assets measured at amortized cost

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

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

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

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

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

Reclassification

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

De-recognition

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

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

4 Significant accounting policies (continued)

4.17 Financial instruments (continued)

Impairment of financial assets

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

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

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

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

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

A default on trade receivable occurs when the counterparty fails to make contractual payments within 90 days when they fall due.

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

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of financial assets have occurred.

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

- significant financial difficulty of the debtor;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganizations; or the disappearance of an active market for a security because of financial difficulties.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

4 Significant accounting policies (continued)

4.17 Financial instruments (continued)

Financial liabilities

Initial measurement

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

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

Classification and subsequent measurement

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

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

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

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

Reclassification

The Group cannot reclassify any financial liability.

Derecognition

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

Financial guarantee contracts

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

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

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

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

4 Significant accounting policies (continued)

4.18 Offsetting of financial instruments

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

4.19 Borrowings

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

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

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

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

4.20 Provisions

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

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

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

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

4 Significant accounting policies (continued)

4.21 Employee benefits

Short-term employee benefits

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

Defined benefit plans

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

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

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

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

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

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

4.22 Share capital

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

4.23 Debt to equity swap

When the Group issues equity instruments in settlement of a liability owed by the Group or engages in a modification of a liability such that it is converted to equity, the Group accounts for the transaction as a Debt-to-Equity Swap (the 'Swap'). In this respect, the Group applies the applicable IFRS and related interpretations to account for the Swap as follows:

a. Swap accounted for under IFRIC 19:

Equity instruments issued to a creditor to extinguish all or part of a financial liability are treated as consideration paid and are measured at their fair value at the date of extinguishment. However, if that fair value cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability and the consideration paid (including the equity instruments issued) should be recognised in profit or loss and disclosed separately.

b. Swap not accounted for under IFRIC 19:

IFRIC 19 does not apply to a Swap whereby:

- the creditor is also a direct or indirect shareholder and is acting in its capacity as a direct or indirect existing shareholder;

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

4 Significant accounting policies (continued)

4.23 Debt to equity swap (continued)

- the creditor and the entity are controlled by the same party or parties before and after the transaction and the substance of the transaction includes an equity distribution by, or contribution to, the entity; or
- the extinguishment of the financial liability by issuing equity shares is in accordance with the original terms of the financial liability

In such cases, where the creditor is a shareholder acting in its capacity as such, or where the entity and the creditor are under common control and the substance of the transaction includes a distribution by, or capital contribution to, the entity. Such transactions are accounted for either in a manner similar to that required by IFRIC 19 or by recording the equity instruments issued at the carrying amount of the financial liability extinguished so that no profit or loss is recognised.

4.24 Restricted cash

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

4.25 Murabaha term deposits with banks

Murabaha term deposits with banks include placements with banks with original maturities of more than three months and less than one year from the placement date.

4.26 Cash and cash equivalents

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

4.27 Segment reporting

An operating segment is a component of an entity:

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

For further details of business segments, refer Note 33.

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

5 New standards, interpretations and amendments

New and amended standards adopted by the Group

The group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2022:

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37
- Annual Improvements to IFRS Standards 2018-2020, and
- Reference to the Conceptual Framework – Amendments to IFRS 3.

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

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

5 New standards, interpretations and amendments (continued)

New standards and interpretations not yet adopted

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

Standard / Interpretation	Description	Effective from periods beginning on or after the following date
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	1 January 2023
Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.	1 January 2023
Amendment to IFRS 16 – Leases on sale and leaseback	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	1 January 2024
Amendment to IAS 1 – Non current liabilities with covenants	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.	1 January 2024
IFRS 17, 'Insurance contracts'	This standard replaces IFRS 4, which permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.	1 January 2023
IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

Management is currently evaluating these amendments and they are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended 31 December 2022

(All amounts in Saudi Riyals thousands unless otherwise stated)

6. Revenue

	31 December 2022	31 December 2021
Types of revenue from contracts with customers:		
Utilities and other related services ("City operations")	129,843	116,028
Accommodation	61,850	94,386
Tuition and other fees ("Education")	42,478	36,018
Sale of development properties	38,454	43,568
Food and beverages and other related services	22,491	18,583
Leisure services	7,036	8,660
Total	302,152	317,243
Timing of revenue recognition		
Over time	276,248	293,353
Point-in-time (*)	25,904	23,890
Revenue from contract with customers	302,152	317,243
Lease rental income		
Industrial	50,293	47,090
Residential	10,822	7,746
Total lease rental income	61,115	54,836
Total revenue	363,267	372,079

(*) Revenue from point-in-time includes food and beverage services amounting to Saudi Riyals 22.49 million, leisure services amounting to Saudi Riyals 3.18 million and education services amounting to Saudi Riyals 0.23 million.

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

7. Cost of revenue

	Note	31 December 2022	31 December 2021 (Restated – Note 38)
Depreciation		225,308	248,527
Salaries, wages and benefits		94,422	94,202
Maintenance		83,061	85,503
Impairment loss on non-financial assets	7.1	58,986	-
Cost of development properties sold	18	46,394	33,472
Utilities		25,832	42,610
Hospitality		22,255	24,829
Refurbishment cost		4,014	-
Provision for development properties	18	409	38,701
Others		20,089	41,290
		580,770	609,134

7.1 Refer Notes 13 and 15 for details related to impairment on non-financial assets.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

8. Selling and marketing expenses

	31 December 2022	31 December 2021
Promotional expenses	29,165	44,004
Salaries and benefits	25,042	21,564
Branding and marketing costs	3,663	4,585
Advertising costs	715	2,078
Others	3,163	6,551
	61,748	78,782

9. General and administrative expenses

	31 December 2022	31 December 2021
Salaries and benefits	181,410	180,515
Professional and legal charges	205,390	31,509
Communication and office costs	18,546	17,333
Facility and city management services	3,736	6,972
Repairs and maintenance	2,694	2,048
Others	10,857	12,336
	422,633	250,713

10. Financial charges

	Note	31 December 2022	31 December 2021
Financial charges on loans and borrowings		283,839	236,668
Financial charges on leases	14	2,153	2,871
Bank charges		4,200	3,624
		290,192	243,163

11. Other operating income

	31 December 2022	31 December 2021
Reimbursement of expenses (see note (11.1) below)	-	35,075
Amortization of unearned interest (see note (11.2) below)	16,501	39,979
Gain on disposal of investment properties (see note (11.3) below)	7,876	13,535
Others	1,109	2,112
	25,486	90,701

- 11.1** The Group has entered into an agreement (the "Agreement") with two external parties to develop, finance and operate an academic educational institute ("Institute") at KAEC. In accordance with the terms of the Agreement, the net life cycle operating loss of the Institute is to be funded by one of the parties to the Agreement, to the extent of USD 58.5 million. In addition, during 2020, an additional funding of USD 16 million has been approved. Consequently, the net operating loss or expenses of the Institute, amounting to Saudi Riyals 35 million, incurred during 2021, has been accounted for as 'other income'. As at 31 December 2021, the above limit was fully utilized. Accordingly, no reimbursement was made for the net operating loss incurred during 2022. The Group under the Agreement is also entitled to receive an additional amount of USD 100 million. As at 31 December 2022, the Group is in the process of completing the legal formalities relating to obtaining such additional amount.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022

(All amounts in Saudi Riyals thousands unless otherwise stated)

11 Other operating income(continued)

11.2 Unwinding of interest income on significant financing component amounts to Saudi Riyals 16.5 million (31 December 2021: Saudi Riyals 39.9 million).

11.3 During the year, the Group has entered into agreements with certain customers for the sale of investment properties resulting in a gain of Saudi Riyals 7.9 million (31 December 2021: Saudi Riyals 13.5 million).

12. Loss per share

Loss per share is calculated by dividing the loss for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year. The Company does not have any dilutive potential share and therefore diluted loss per share is the same as basic loss per share.

The loss per share calculation is given below:

	31 December 2022	31 December 2021 (Restated – Note 38)
Loss attributable to ordinary equity holders of the parent	(1,157,290)	(836,529)
Weighted average number of ordinary shares ('000)	1,133,333	925,297
Loss per share (Saudi Riyals) – Basic and diluted	(1.02)	(0.90)

On September 26, 2021, the shareholders in an extraordinary general assembly approved the increase of the share capital of the Company. Basic and diluted loss per ordinary share is calculated by dividing the loss attributable to the ordinary shareholders of the Parent Company by the weighted average number of ordinary shares in issue during the year. Refer Note 23 and Note 38.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

13. Property and equipment

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

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

	Freehold land	Buildings	Heavy equipment and machinery	Furniture and fixtures	Office equipment	Motor vehicles	Infrastructure assets	Capital work in progress (CWIP)	Total 2022
Cost:									
At the beginning of the year	135,283	1,605,840	92,673	161,229	106,033	15,431	3,189,975	1,820,373	7,126,837
Additions	-	199	26	677	572	-	-	-	1,474
Transfers	-	71,352	-	-	-	-	23,370	(94,722)	-
Write-off (note 13.4)	-	-	-	-	(13)	-	-	(46,510)	(46,523)
At the end of the year	135,283	1,677,391	92,699	161,906	106,592	15,431	3,213,345	1,679,141	7,081,788
Accumulated depreciation and impairment:									
At the beginning of the year	-	554,609	65,300	153,796	96,894	15,431	875,815	-	1,761,845
Depreciation charge for the year	-	92,056	5,446	8,110	3,279	-	120,059	-	228,950
Impairment charge for the year (note 13.5 and 13.8) below	-	15,487	-	-	-	-	-	10,582	26,069
At the end of the year	-	662,152	70,746	161,906	100,173	15,431	995,874	10,582	2,016,864
Net book value									
At 31 December 2022	135,283	1,015,239	21,953	-	6,419	-	2,217,471	1,668,559	5,064,924

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

13. Property and equipment (continued)

	Freehold land	Buildings	Heavy equipment and machinery	Furniture and fixtures	Office equipment	Motor vehicles	Infrastructure assets	Capital work in progress (CWIP)	Total
Cost:									
At the beginning of the year	135,283	1,605,714	91,658	161,158	106,596	15,431	3,190,000	1,815,480	7,121,320
Additions	-	126	990	71	1,214	-	-	4,893	7,294
Transfers (note (13.7) below)	-	-	25	-	(1,777)	-	(25)	-	(1,777)
At the end of the year	135,283	1,605,840	92,673	161,229	106,033	15,431	3,189,975	1,820,373	7,126,837
Accumulated depreciation and impairment									
At the beginning of the year	-	464,316	57,026	139,091	87,337	14,995	748,895	-	1,511,660
Charge for the year	-	74,733	8,274	14,705	9,557	436	126,920	-	234,625
Impairment charge for the year (note (13.5) below)	-	15,560	-	-	-	-	-	-	15,560
At the end of the year	-	554,609	65,300	153,796	96,894	15,431	875,815	-	1,761,845
Net book value									
At 31 December 2021	135,283	1,051,231	27,373	7,433	9,139	-	2,314,160	1,820,373	5,364,992

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

	31 December 2022	31 December 2021
Cost of revenue	176,448	183,644
Operating expenses	52,502	50,981
	228,950	234,625

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

13.3 Freehold land amounting to Saudi Riyals 135 million (2021: Saudi Riyals 135 million), mainly relates to infrastructure and operating assets.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

13. Property and equipment (continued)

13.4 Capital work in progress mainly represents construction costs in respect of the infrastructure and other projects at the KAEC. During the year ended 31 December 2022, the Company has written-off certain items in capital work in progress, which are no longer required for use.

13.5 During the year ended 31 December 2022, the Group has recognised an impairment loss and it has has been allocated as follows:

	31 December 2022	31 December 2021
Cost of revenues	26,069	-
Operating expenses	-	15,560
	26,069	15,560

13.6 During the years ended 31 December 2022 and 2021, no borrowing cost was capitalized as no development or construction of property, plant and equipment was carried out.

13.7 During the year ended 31 December 2021, certain assets amounting to Saudi Riyals 1.7 million were reclassified to intangible assets (2022: Nil).

13.8 Impairment:

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

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

- For certain CGUs by assessing the fair value less cost of disposal (FVLCD) of the underlying assets. The valuation is considered to be Level 3 in the fair value hierarchy due to unobservable inputs used in the valuation.
- For certain CGUs based on value-in-use.

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

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

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

13. Property and equipment (continued)

13.8 Impairment (continued)

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

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

At each financial year-end the finance department:

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

Changes in Level 2 and 3 fair values are analysed at each reporting date during the quarterly valuation discussions between the CFO, finance department and the independent valuer. As part of this discussion, the team presents a report that explains the reasons for the fair value movements, if any.

The Group has a number of commercial centers, residential units, hotel and other leisure assets and under development properties. The Group considered each individual commercial center, hotel and other leisure asset as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets and accordingly designated each of them as separate CGUs. In determining the fair value, the valuer has used an income approach for income-generating assets and residual value approach for under construction properties.

Valuation approach	Description
Income approach	Under this approach, the valuer has utilized the discounted cash flow approach. The discount rate reflects the growth assumed in the cash flow (both costs and revenues) and the risks associated with the assumptions, including occupancy, rents, operating expenses etc. Since these valuations are based on significant unobservable inputs, the fair value measurement was classified as Level 3.
Market approach	Under this approach, the valuer makes assessment on the basis of a collation and analysis of appropriate comparable transactions, together with evidence of demand within the vicinity of the subject property. The differences in specification of the Group's properties are then adjusted, taking into account size, location, aspect and other material factors. Such values are based on significant unobservable inputs and hence the fair value measurement was classified as Level 3.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

13. Property and equipment (continued)

13.8 Impairment (continued)

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

Significant unobservable input	Basis of determination	2022
Average daily rate (ADR) growth in year 3	The growth in average daily rate in year 3 based on the actual location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rates for similar properties and expected inflation in the economy.	4%-5%
Discount rates	The discount rate reflects the growth assumed in the cash flow (both costs and revenues) and the risks associated with the assumptions, including occupancy, rents, operating expenses etc.	11%-17%
Estimated occupancy rate in year 4	Based on current, historic and expected future market conditions.	75%
Absorption period	The time period during which available units are sold in a specific market.	102 months
Adopted sales rate	The adopted sales rate reflects the consideration taken into account for similar transactions in the city and incorporating the necessary adjustments for differences in location and size.	SAR 1,570 per SQM
Number of tickets sold	Based on the property's actual and forecasted demand	101,399
Number of events	Based on the actual and forecasted demand including external evidence from comparable properties.	21

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

13. Property and equipment (continued)

13.8 Impairment (continued)

The Group has relied on the valuation performed as at 31 December 2022.

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

Class of CGU	Valuation approach	Discount rate	Year 3 ADR growth (%)	Year 4 Occupancy rate	# of tickets sold in Year 3	# of events	Carrying amount	Recoverable amount	Change in discount rate	Sensitivities (percentage impact on recoverable value of the CGUs)			
										Change in year 3 ADR growth rate			
										-1%	0%	1%	
Hospitality assets - 1	Income approach	11-12%	4%-5%	-	-	-	299,922	443,200	Change in discount rate	-0.50%	3.93%	6.32%	7.74%
										0%	-2.21%	-	1.78%
										0.50%	-7.69%	-5.60%	-3.93%
										Change in year 4 occupancy rate			
Hospitality assets - 2	Income approach	11.5%	-	75%	-	-	136,146	160,300	Change in discount rate	-0.50%	-1.43%	7.11%	17.28%
										0%	-7.99%	-	9.61%
										0.50%	-13.85%	-6.30%	2.74%
										Number of events			
Leisure asset - 1	Income approach	17%	-	-	101,399	-	1,664	50,100	Change in discount rate	-0.50%	-18.96%	3.99%	25.95%
										0%	-21.76%	-	21.16%
										0.50%	-24.55%	-3.59%	16.77%

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

13. Property and equipment (continued)

13.8 Impairment (continued)

Class of CGU	Valuation approach	Discount rate	# of events held in Year 3	Sales rate per SQM	Absorption period	Carrying amount (SAR in 000)	Recoverable amount (SAR in 000)	Change in discount rate	in	Sensitivities (percentage impact on recoverable value of the CGUs)		
										Change in number of events in year 3		
										11	21	30
Leisure asset - 2	Income approach	17%	21	-	-	2,096	6,600	Change in discount rate	in	-0.50%	3.03%	39.39%
										0%	-	33.33%
										0.50%	-4.55%	27.27%
Leisure asset - 3	Market approach	13%	-	SAR 1,570	102 months	115,763	330,000	Change in Sales rate	Change in Sales rate	10%	23.99%	
								Change in absorption period	in	-10%		
								Change in discount rate	in	-0.50%		
								Change in Sales rate	Change in Sales rate	-10%	-22.60%	
								Change in absorption period	in	10%		
								Change in discount rate	in	0.50%		

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

13. Property and equipment (continued)

13.8 Impairment (continued)

During the year ended 31 December 2022, management recorded impairment against the total carrying value of an asset classified under capital work in progress, which is no longer required for us, amounting to Saudi Riyals 10.58 million.

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

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

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

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

During the year, management has recorded impairment amounting to Saudi Riyals 15.5 million against a CGU. The recoverable amount and carrying amount of the asset after adjusting for impairment as at 31 December 2022 amounts to Saudi Riyals 44 million. A change of discount rate by +0.5%/-0.5% will impact the recoverable amount by 9.01% / (7.44%).

14. Leases

14.1 Right-of-use assets

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

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

- | | |
|-------------------------------|------------|
| • Buildings | 3-10 years |
| • Heavy equipment & machinery | 3-4 years |
| • Motor vehicles | 2-4 years |

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

14. Leases (continued)

	Buildings	Heavy equipment and machinery	Motor vehicles	Total
Cost:				
Balance as at 1 January 2022	105,583	52,836	6,424	164,843
Cessation of lease	-	(51,629)	(6,424)	(58,053)
Balance as at 31 December 2022	105,583	1,207	-	106,790
Accumulated depreciation:				
As at 1 January 2022	38,722	52,113	6,307	97,142
Charge for the year	10,052	241	117	10,410
Cessation of lease	-	(51,629)	(6,424)	(58,053)
As at 31 December 2022	48,774	725	-	49,499
Net book value:				
As at 31 December 2022	56,809	482	-	57,291
Cost:				
Balance as at 31 December and 1 January 2021	105,583	52,836	6,424	164,843
Accumulated depreciation:				
As at 1 January 2021	27,112	48,309	5,172	80,593
Charge for the year	11,610	3,804	1,135	16,549
As at 31 December 2021	38,722	52,113	6,307	97,142
Net book value:				
As at 31 December 2021	66,861	723	117	67,701

Depreciation charge for the year has been allocated as follows:

	31 December 2022	31 December 2021
Cost of revenue	9,681	13,689
Operating expenses	729	2,860
	10,410	16,549

14.2 Lease liabilities

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

	31 December 2022	31 December 2021
Non-current portion	25,815	36,556
Current portion	55,448	45,005
	81,263	81,561

Movement of lease liabilities:

	31 December 2022	31 December 2021
As at 1 January	81,561	92,118
Financial charges (Note 10)	2,153	2,871
Repayments	(2,451)	(13,428)
As at 31 December	81,263	81,561

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

14. Leases (continued)

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

	2022		2021	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Within twelve months	57,167	55,448	56,300	45,005
One to five years	30,681	25,815	40,504	36,556
Total minimum lease payments	87,848	81,263	96,804	81,561
Less: financial charges	(6,585)	-	(15,243)	-
Present value of minimum lease payments	81,263	81,263	81,561	81,561

14.3 Impairment

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

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

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

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

- Projected cash flows using approved business plans.
- Sales growth rate of 27.19%.
- Discount rate of 8.80%.

(i) Sales growth rate

The sales growth in the forecast period has been estimated to be average revenue growth rate of 27.19%. If all other assumptions are kept the same, a reduction of this growth rate by 1.57% across all expected cashflows would give a value-in-use equal to the current carrying amount.

(ii) Discount rate

The discount was an estimate of the weighted average cost of capital as of 31 December 2022 based on market rates adjusted to reflect management's estimate of the specific risks relating operations and the related industry. If all other assumptions are kept the same, an increase of the discount rate by 2.17% across all expected cashflows would give a value-in-use equal to the current carrying amount.

**EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022**
(All amounts in Saudi Riyals thousands unless otherwise stated)

15. Investment properties

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

- Buildings
 - Leasehold improvements
 - Infrastructure assets
- 20-30 years
2 - 10 years
10-30 years

	2022				
	Land	Buildings	Leasehold improvements	Infrastructure assets	Capital work-in-progress (CWIP)
Cost:					
At the beginning of the year	2,818,638	899,089	945	432,008	1,052,611
Additions	-	-	-	-	8,176
Disposals	-	(25,773)	-	-	-
Transfer to development properties (Note 18)	(3,149)	-	-	-	(16,161)
At the end of the year	2,815,489	873,316	945	432,008	1,044,626
Accumulated depreciation and impairment:					
At the beginning of the year	-	237,353	945	133,251	-
Depreciation charge for the year	-	27,306	-	11,863	-
Impairment charge	-	1,419	-	-	31,498
Reversal of impairment (Note 15.11)	-	(11,853)	-	-	-
Disposals	-	(4,433)	-	-	-
At the end of the year	-	249,792	945	145,114	31,498
Net book value					
At 31 December 2022	2,815,489	623,524	-	286,894	1,013,128
					4,739,035

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

15. Investment properties (continued)

	2021				
	Land	Buildings	Leasehold improvements	Infrastructure assets	Capital work in progress (CWIP)
Cost:					
At the beginning of the year	2,820,056	915,090	945	432,008	1,067,341
Additions	-	-	-	-	2,564
Disposals	(1,418)	(16,001)	-	-	(1,855)
Transfers to development properties (Note 18)	-	-	-	-	(15,439)
At the end of the year	2,818,638	899,089	945	432,008	1,052,611
					5,203,291
Accumulated depreciation and impairment:					
At the beginning of the year	-	209,858	945	118,360	-
Depreciation charge for the year	-	36,303	-	14,891	-
Disposals	-	(2,744)	-	-	-
Reversal of impairment (Note 15.11)	-	(6,064)	-	-	-
At the end of the year	-	237,353	945	133,251	-
					371,549
Net book value					
At 31 December 2021	2,818,638	661,736	-	298,757	1,052,611
					4,831,742

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

15. Investment properties (continued)

- 15.1** Investment properties comprises commercial centers, serviced lands, residential units, properties with undetermined future use and properties under development. Commercial centers, serviced lands and residential units generate rental income through lease agreements. Properties with undetermined future use mainly comprise raw land parcels that do not generate any income and no expense is incurred on those properties.
- 15.2** Capital work in progress represents assets under construction relating to a commercial center's expansion and infrastructure development work on the land parcels.
- 15.3** Greenfield land measures approximately 168 million square meters and includes land measuring approximately 37 million square meters contributed by a shareholder as part of its capital contribution for an agreed sum of Saudi Riyals 1,700 million in lieu of shares of the same value in the Company (Note 23). The specific allocation of the Greenfield land to be used by different projects, which could be for sale or rental, has not yet been completed. Therefore, the Greenfield land and associated costs, amounting to Saudi Riyals 2,466 million (2021: Saudi Riyals 2,466 million), has been classified as investment properties. No depreciation has been charged as these comprise only freehold land. Greenfield land includes 24.7 million square meters amounting to Saudi Riyals 5,005 million pledged in favour of the Ministry of Finance against a long-term loan of Saudi Riyals 2,531 million (Note 25). The Group is currently in discussion with Ministry of Finance to release the excess lands, as a result of the conversion of the partial amount of loan, and is awaiting finalization of formalities for de-collateralization. The excess lands will be used for future development. Loans obtained from commercial banks are also secured against Greenfield land. Greenfield land, measuring 15.95 million square meters, has been earmarked for lease to industrial customers.
- 15.4** Amounts recognised in the consolidated statement of profit or loss and other comprehensive income for investment properties held for rental income for the year are as follows:

	31 December 2022	31 December 2021
Rental income from operating leases	61,115	54,836
Direct operating expenses on investments properties that generated rental income	2,775	7,374

- 15.5** There were no direct operating expenses on investment properties that did not generate rental income during 2022 and 2021.
- 15.6** At 31 December 2022 the Group's investment properties with a carrying amount of Saudi Riyals 928 million were mortgaged as collateral against loans and borrowings. During the years ended 31 December 2022 and 2021, no borrowing cost was capitalized as no development or construction of investment properties was carried out.
- 15.7** During the year ended 31 December 2022, properties amounting to Saudi Riyals 19.3 million (2021: Saudi Riyals 15.4 million) were transferred from 'investment properties' to 'development properties' as they underwent a change in use, evidenced by commencement of development with a view to sell along with active marketing for such sale. The development of the property was planned after the feasibility study and receipt of sale proposal and the basic infrastructure development in the surrounding area was already completed beforehand. Accordingly, this property is classified and transferred to development properties.
- 15.8** Some of the investment properties are leased to tenants under operating leases with rentals payable on a monthly, quarterly and semi-annual basis. Rental payments for some contracts are variable and are based on percentage of sales, and not on an index rate.
- 15.9** As at 31 December 2022 and 2021, the Group has no contractual obligation for future repairs and maintenance which are not recognized as liability.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

15. Investment properties (continued)

15.10 Group as lessor:

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

	31 December 2022	31 December 2021
Within one year	61,906	38,834
After one year but not more than five years	188,845	151,815
More than five years	437,925	396,685
	688,676	587,334

15.11 During the year ended 31 December 2022, the Group has recognised reversal of impairment, amounting to Saudi Riyals 11.9 million (2021: reversal of impairment amounting to Saudi Riyals 6 million). The reversal of impairment loss was recognised as a result of disposal of properties which had been previously impaired.

15.12 During the year ended 31 December 2022, the Group has recognised an impairment loss, amounting to Saudi Riyals 32.9 million.

15.13 Impairment:

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

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

- For certain CGUs by assessing the fair value less cost of disposal (FVLCD) of the underlying assets. The valuation is considered to be Level 3 in the fair value hierarchy due to unobservable inputs used in the valuation.
- For certain CGUs based on value-in-use.

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

The fair value of the Group's investment property, as at 31 December 2022, has been arrived on the basis of the valuation exercise carried out by independent professionally qualified valuation expert i.e. Knight Frank Spain Saudi Arabia Real Estate Valuations Company ("Knight Frank") who holds recognised relevant professional qualification and has recent experience under IFRS 13, in determining the fair values for properties in the locations and segments where the Group's properties are situated. Knight Frank is accredited by the Saudi Authority for Accredited Valuers and performed their work in accordance with the International Valuation Standards Council (IVSC) as well as the regulations issued by the Saudi Authority for Accredited Valuers (TAQEEM).

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

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

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

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

15. Investment properties (continued)

At each financial year-end the finance department:

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

Changes in Level 2 and 3 fair values are analysed at each reporting date during the quarterly valuation discussions between the CFO, finance department and the independent valuer. As part of this discussion, the team presents a report that explains the reasons for the fair value movements, if any.

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

Valuation approach	Description
Income approach	Under this approach, the valuer has utilized the discounted cash flow approach. The discount rate reflects the growth assumed in the cash flow (both costs and revenues) and the risks associated with the assumptions, including occupancy, rents, operating expenses etc. Since these valuations are based on significant unobservable inputs, the fair value measurement was classified as Level 3.
Market approach	Under this approach, the valuer makes assessment on the basis of a collation and analysis of appropriate comparable transactions, together with evidence of demand within the vicinity of the subject property. The differences in specification of the Group's properties are then adjusted, taking into account size, location, aspect and other material factors. Such values are based on significant unobservable inputs and hence the fair value measurement was classified as Level 3.

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

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

Significant unobservable input	Basis of determination	2022
Discount rate	The discount rate reflects the growth assumed in the cash flow (both costs and revenues) and the risks associated with the assumptions, including occupancy, rents, operating expenses etc.	10.50% - 13.25 %
Capitalisation rate	It is based on actual location, size and quality of the properties and taking into account market data at the valuation date.	4.50% - 8%
Rental growth rate	Based on the actual location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties and expected inflation in the economy.	SAR 12 - 600
Absorption period	The time period during which available units are sold in a specific market.	18-120 months
Adopted sales rate	The adopted sales rate reflects the consideration taken into account for similar transactions in the city and incorporating the necessary adjustments for differences in location and size.	SAR 508 - 4,670

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

15. Investment properties (continued)

15.13 Impairment (continued)

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

Class of CGU	Valuation approach	Discount rate	Absorption period	Sales rate	Capitalisation rate	Rental growth rate	Carrying amount (SAR in 000)	Recoverable amount (SAR in 000)	Sensitivities (percentage impact on recoverable value of the CGUs)
									Change in rental growth rate
Industrial	Income approach	-	-	-	4.50%-8%	SAR 12-18	515,421	4,102,394	-10%
									0%
									10%
Residential	Income approach	11%	6-66 months	SAR 5,950 - 8,750	-	-	177,305	282,660	-16.57%
									-10.34%
									-8.11%
									5.03%
									0.50%
									0%
									-0.50%
									Change in capitalisation rate
									Change in Discount rate
									Change in Absorption
									10%
									Change in Sales rate
									0.50%
									Change in Discount rate
									-12.26%
									10%
									Change in Absorption
									-10%
									Change in Sales rate

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

15. Investment properties (continued)

15.13 Impairment (continued)

Class of CGU	Valuation approach	Discount rate	Absorption period	Sales rate	Capitalis-ation rate	Rental growth rate	Carrying amount (SAR in 000)	Recoverable amount (SAR in 000)	Change in capitalisation rate	Sensitivities (percentage impact on recoverable value of the CGUs)		
										Change in rental rate		
										-10%	0%	10%
Commercial - 1	Income approach	-	-	-	8%-8,50%	SAR 269-600	128,992	196,406	Change in capitalisation rate	0.50%	-8.52%	-6.07%
										0%	-2.92%	-
										-0.50%	5.02%	7.30%
Commercial - 2	Market approach	10.50%-13.25%	18-102 months	SAR 508-4,670	180,310	810,562	180,310	810,562	Change in Discount rate	-0.50%	17.98%	
										-10%		
										10%		
									Change in Discount rate	0.50%	-16.66%	
									Change in Absorption	10%		
									Change in Sales rate	-10%		

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

15. Investment properties (continued)

15.13 Impairment (continued)

These significant unobservable inputs for properties with undetermined use include:

Significant unobservable input	Basis of determination	2022
Discount rate	Reflecting the inherent risk associated with the development of a real estate asset. Given the uncertainty of future (revenue and cost) projections, a discount rate is adopted to reflect the risk in achieving assumed projections.	12.5%-17%
Absorption period	The time period during which available units are sold in a specific market.	9-99 months
Adopted sales rate	The adopted sales rate reflects the consideration taken into account for similar transactions in the city and incorporating the necessary adjustments for differences in location and size.	SAR 508-8,458

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

The Group has relied on the valuation performed as at 31 December 2022.

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

Class of CGU	Discount rate	Absorption period	Sales rate	Recoverable amount	Change in assumptions	Sensitivities (percentage impact on fair value)
Residential land	12.75% - 17%	12-87 months	SAR 361 - 4,426	20,338,935	Discount rate Absorption Sales rate	0.50% 10% -10%
Commercial land	12.5%-15.5%	33-99 months	SAR 799 - 5,581	3,311,100	Discount rate Absorption Sales rate	0.50% 10% -10%
Urban mixed-use land	12.5%-16.25%	9-72 months	SAR 874 - 8,458	3,569,050	Discount rate Absorption Sales rate	0.50% 10% -10%
Industrial land	13.5%-16.25%	9-72 months	SAR 508 - 510	2,020,795	Discount rate Absorption Sales rate	0.50% 10% -10%

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

15. Investment properties (continued)

15.13 Impairment (continued)

Class of CGU	Valuation approach	Discount rate	Absorption period	Sales rate	Recoverable amount	Change in assumptions	Sensitivities (percentage impact on fair value)
Residential land	Market approach	12.75%-17%	12-87 months	SAR 361 – 4,426	20,338,935	Discount rate Absorption Sales rate	-0.50% -10% 10% 27.29%
Commercial land	Market approach	12.5%-15.5%	33-99 months	SAR 799 – 5,581	3,311,100	Discount rate Absorption Sales rate	-0.50% -10% 10% 22.15%
Urban mixed-use land	Market approach	12.5%-16.25%	9-72 months	SAR 874 – 8,458	3,569,050	Discount rate Absorption Sales rate	-0.50% -10% 10% 17.70%
Industrial land	Market approach	13.5%-16.25%	9-72 months	SAR 508 – 510	2,020,795	Discount rate Absorption Sales rate	-0.50% -10% 10% 14.72%

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

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

Key assumptions underlying the projections are:

Key assumptions	31 December 2022
Discount rate	<u>8.80%</u>

During the year, management has recorded impairment amounting to Saudi Riyals 32.9 million against certain CGUs. The recoverable amounts and carrying amounts of the CGUs after adjusting for impairment as at 31 December 2022 amounts to Saudi Riyals 1,183.3 million and Saudi Riyals 1,183.3 million respectively.

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

	Level 1	Level 2	Level 3	Total
31 December 2022	-	-	35,741,750	35,741,750
31 December 2021	-	-	34,486,889	34,486,889

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

	Fair value		Carrying amount	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Rental income	6,501,870	4,067,689	1,923,546	2,013,105
Currently undetermined future use	29,239,880	30,419,200	2,815,489	2,818,637
	35,741,750	34,486,889	4,739,035	4,831,742

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

16 Intangible assets

The movement in the intangible assets is as follows:

	31 December 2022	31 December 2021
Cost:		
At the beginning of the year	111,517	106,941
Additions	1,710	2,799
Transfer from property and equipment	-	1,777
At the end of the year	<u>113,227</u>	<u>111,517</u>
Amortization:		
At the beginning of the year	107,087	99,064
Charge for the year	1,865	8,023
At the end of the year	<u>108,952</u>	<u>107,087</u>
Net book value	<u>4,275</u>	<u>4,430</u>

17 Interest in other entities

17.1 Investment in equity accounted investees

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

	Effective ownership interest (%)		Balance as at	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Investment in Ports Development Company ("PDC") (see note (a) below)	50%	50%	2,540,950	2,487,253
Investment in Biyouat Progressive Company for Real Estate Investment & Development ("Biyouat") (see note (b) below)	20%	20%	<u>45,790</u>	<u>45,790</u>
			<u>2,586,740</u>	<u>2,533,043</u>

a) Ports Development Company

Movement in investment in Ports Development Company ("PDC") for the year is as follows:

	31 December 2022	31 December 2021
Balance at the beginning of the year	2,487,253	2,400,032
Share of results for the year, net of Zakat charge	25,046	45,839
Share of other comprehensive income	28,651	41,382
Balance at the end of the year	<u>2,540,950</u>	<u>2,487,253</u>

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

17 Interest in other entities (continued)

17.1 Investment in equity accounted investees (continued)

Quantitative information of PDC is as follows:

	31 December 2022	31 December 2021
Non-current assets	7,829,095	7,891,326
Current assets	440,341	452,484
Cash and cash equivalents	205,736	198,079
Non-current liabilities	(2,284,716)	(2,113,265)
Current liabilities	(328,269)	(675,738)
Non-current financial liabilities	(2,270,558)	(2,107,012)
Equity	5,656,451	5,554,807
Group's share in equity – 50% (2021: 50 %)	2,828,226	2,777,404
Elimination of share of profit on sale of land and commission income*	(290,151)	(290,151)
Group's carrying amount of the investment	2,538,075	2,487,253

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

	31 December 2022	31 December 2021
Revenue	445,922	437,397
Depreciation	134,406	124,958
Interest expense	156,962	108,194
Zakat and tax charge	8,200	15,316
Net profit for the year	48,225	91,678
Other comprehensive income to be reclassified to profit or loss in subsequent years	57,302	82,764
Total comprehensive income for the year	105,689	174,442
Group's share of profit for the year, net of related Zakat charge	24,113	45,839
Group's share of other comprehensive income for the year	28,732	41,382

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

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

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

**EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)**
Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

17 Interest in other entities (continued)
17.1 Investment in equity accounted investees (continued)

The Group has provided a corporate guarantee along with promissory notes to a commercial bank, limited for Saudi Riyals 1,321 million plus any Murabaha profits due to be paid by the PDC, that allowed PDC to secure a Shariah compliant Murabaha facility to partially finance the construction costs of the Port. Moreover, such loan is also secured by a pledge of the shares of the Group in PDC.

Also, the Group has provided a corporate guarantee to a commercial bank, limited to Saudi Riyals 112.5 million plus any Murabaha profits due to be paid by the PDC, to allow PDC to secure Shariah compliant commodity Murabaha facilities, having a maximum limit of Saudi Riyals 180 million. During 2017, PDC availed the subject Murabaha facility, amounting to Saudi Riyals 150 million, to finance its working capital requirements. The subject facility has been increased to Saudi Riyals 180 million during 2018. In this connection, the Group had also provided promissory notes, amounting to Saudi Riyals 75 million, which has been increased to Saudi Riyals 90 million during 2019, plus any Murabaha profits due to be paid by the PDC.

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

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

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

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

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

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

The Group owns 20% shares in the share capital of Biyoutat. As per the shareholders' agreement, during 2016, the Group also made an additional investment of Saudi Riyals 53.75 million, in the form of a contributed land, for the development of the project. The only material financial statement line item in the financial statements of Biyoutat is the land and the fair value of the land is higher than the carrying value as at 31 December 2022.

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

	31 December 2022	31 December 2021
Initial investment	200	200
Additional investment	53,755	53,755
Elimination of share of profit on sale of land (*)	(8,165)	(8,165)
	45,790	45,790

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

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

17. Interest in other entities (continued)

17.2 Subsidiaries

The following table summarizes the statement of financial position of these subsidiaries as at 31 December 2022. This information is based on the amounts before inter-company elimination.

	2022					
	ECIC	IZDCL	REOM	REM	EKC	RED
Total assets	3,620,632	1,324,377	1,292,459	478,408	104,751	1,853,476
Total liabilities	25,781	105,515	257,400	167,478	143,211	815,606
Total equity	3,594,851	1,218,862	1,035,059	310,930	(38,460)	1,037,870

The following table summarizes the statement of financial position of the subsidiaries as at 31 December 2021. This information is based on the amounts before inter-company elimination.

	2021					
	ECIC	IZDCL	REOM	REM	EKC	RED
Total assets	3,846,802	1,397,903	1,421,815	460,985	139,863	1,888,026
Total liabilities	25,651	107,014	312,749	144,602	130,405	779,265
Total equity	3,821,151	1,290,889	1,109,066	316,383	9,458	1,108,761

The following table summarizes the statement of profit or loss and other comprehensive income of these subsidiaries for the year ended 31 December 2022. This information is based on the amounts before inter-company elimination.

	2022					
	ECIC	IZDCL	REOM	REM	EKC	RED
Revenue	-	7,634	108,641	25,934	31,939	15,618
Loss for the year	(228,767)	(72,355)	(74,858)	(4,978)	(47,169)	(72,735)
Total comprehensive loss for the year	(224,803)	(72,027)	(72,871)	(5,165)	(47,919)	(70,817)

The following table summarizes the profit or loss and other comprehensive income of these subsidiaries as at 31 December 2021. This information is based on the amounts before inter-company elimination.

	2021					
	ECIC	IZDCL	REOM	REM	EKC	RED
Revenue	899	21,250	138,310	33,738	19,935	14,650
Loss for the year	(152,858)	(17,970)	(38,106)	(525)	(16,096)	(91,547)
Total comprehensive loss for the year	(151,987)	(17,687)	(38,752)	(541)	(15,814)	(90,280)

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022

(All amounts in Saudi Riyals thousands unless otherwise stated)

18. Development properties

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

Movement during the year ended 31 December 2022 is as follows:

	Note	31 December 2022	31 December 2021 (Restated – Note 38)
Costs incurred to-date		1,591,949	1,612,478
Transferred from investment properties	15	19,310	15,439
Less: disposals		(46,394)	(33,472)
Less: provision for development properties		(178,128)	(177,719)
Closing balance		1,386,737	1,416,726
Current portion of development properties		820,802	838,275
Non-current portion of development properties		565,935	578,451
Total		1,386,737	1,416,726

- Disposals of development properties are recognised as expense within cost of revenue.
- As at 31 December 2022, development properties include land amounting to Saudi Riyals 159.32 million (2021: Saudi Riyals 158.7 million).
- The Group has transferred certain properties from investment properties to development properties based on the change in the intended use of such developments (see Note 15).
- Properties that are not available for immediate sale in their current condition, without significant development activities, have been classified by management as non-current assets.
- The Group carried out an assessment of net realizable value for development properties and recognized a provision, amounting to Saudi Riyals 0.41 million during the year ended 31 December 2022 (2021: Saudi Riyals 38.7 million).

Determination of NRV:
Projects other than plots of land

The management of the Group has carried out an exercise to determine the NRV of their development properties other than plots of land. This exercise involved determination of planned mode of disposal and the estimation of certain significant variables such as estimated selling price based on planned mode of disposal, estimated cost to sell and estimated cost to make the asset ready for sale. The management determines the estimated selling price by observing the transactions being carried out in the market. During the year 2022, the management based on the above assessment recorded an impairment amounting to Saudi Riyals 0.41 million (2021: Saudi Riyals 38.7 million) as the NRV of some of the properties were assessed to be lower than the carrying amount of the residential unit.

Unlaunched projects

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

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

19. Trade receivables and other current assets

	Note	31 December 2022	31 December 2021 (Restated – Note 38)
Financial assets			
Trade receivables	19.1	670,731	801,627
Less: impairment on trade receivables	19.2	(334,362)	(290,143)
		336,369	511,484
Contribution receivable	19.6	15,134	15,163
Amounts due from related parties	30	18,874	3,563
Commission receivable on Murabaha term deposits		1,083	1,111
Others		15,754	18,935
		387,214	550,256
Non-financial assets			
Prepayments		12,523	16,175
Advances to suppliers		19,230	16,001
Others		6,627	4,366
		38,380	36,542
Trade receivables and other current assets		425,594	586,798

19.1 Breakup of trade receivables is as follows:

	31 December 2022	31 December 2021
Receivables from residential customers against sale of development properties (a)	273,377	371,298
Receivable against city operation services (b)	180,448	143,630
Lease receivables from industrial customers (c)	130,135	122,295
Receivables from industrial customers against sale of development properties (d)	51,627	105,056
Lease receivables from residential customers (e)	19,307	17,518
Receivables for education services	9,013	5,961
Receivable against hospitality services	6,824	35,869
	670,731	801,627

a) Movement of receivables from residential customers against sale of development properties is as follows:

	31 December 2022	31 December 2021
Opening balance	371,298	426,511
Billing raised during the year	143,103	154,345
Collections made during the year	(241,024)	(209,558)
Closing Balance	273,377	371,298

b) Movement of receivables from city operations services is as follows:

	31 December 2022	31 December 2021
Opening balance	143,630	101,351
Billing raised during the year	163,577	145,900
Collections made during the year	(126,759)	(103,621)
Closing Balance	180,448	143,630

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

19. Trade receivables and other current assets (continued)

c) Movement of lease receivables from industrial customers is as follows:

	31 December 2022	31 December 2021
Opening balance	122,295	123,163
Billing raised during the year	58,853	41,498
Collections made during the year	(51,013)	(42,366)
Closing Balance	130,135	122,295

d) Movement of receivables from industrial customers against sale of development properties is as follows:

	31 December 2022	31 December 2021
Opening balance	105,056	61,769
Billing raised during the year	192,436	286,351
Collections made during the year	(245,865)	(243,064)
Closing Balance	51,627	105,056

e) Movement of lease receivables from residential customers is as follows:

	31 December 2022	31 December 2021
Opening balance	17,518	2,137
Billing raised during the year	8,034	23,072
Collections made during the year	(6,245)	(7,691)
Closing Balance	19,307	17,518

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

The title of the development properties sold are held in the name of the Group until the entire consideration is received by the Group. The remaining trade receivables are unsecured. Trade receivable balances are concentrated in the Kingdom of Saudi Arabia. As at 31 December 2022, five largest customers accounted for 29% (2021: 26.4%) of the outstanding trade receivables. The estimated fair values of trade and other receivables are the discounted amount of the estimated future cash flows expected to be received and approximate their carrying amounts.

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

Collateral

The Group, in respect of sale of development properties, has collaterals in the form of promissory notes or bank guarantees, and the minimum collateral against sale of development property is the fair value of the property sold to the customer as the Group transfers property title to the customer only upon receipt of the entire amount of the contract. The fair value of the property is incorporated in LGD which is significantly higher and accordingly no ECL is recognised in respect of receivable against sale of development properties. There has not been any change in the quality of collateral. As at 31 December 2022 and 2021, the fair value of all collaterals exceeds the carrying value of the respective trade receivable balances of the related contract.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

19. Trade receivables and other current assets (continued)

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

	31 December 2022	31 December 2021 (Restated – Note 38)
At the beginning of the year	290,143	247,282
Provision for the year	44,219	43,511
Written-off	-	(650)
At the end of the year	334,362	290,143

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

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

	31 December 2022	31 December 2021
Receivable against city operation services	199,423	172,695
Lease receivables from industrial customers	116,620	103,932
Lease receivables from residential customers	8,766	7,572
Receivable against education services	7,062	3,281
Receivable against hospitality services	2,491	2,663
	334,362	290,143

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

	Current (Not past due)	1- 90 days past due	91 – 180 days past due	More than 180 days past due	Total
31 December 2022					
Expected loss rate	69.20%	84.27%	96.64%	99.65%	
Gross carrying amount – trade receivable	21,128	18,427	29,635	276,537	345,727
Expected credit loss allowance	14,621	15,528	28,639	275,574	334,362
31 December 2021					
Expected loss rate	51.89%	75.07%	90.74%	91.85%	
Gross carrying amount – trade receivable	12,367	20,694	27,241	264,971	325,373
Expected credit loss allowance	6,417	15,535	24,718	243,473	290,143

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

		Not past due	Past due				
	Total		< 30 days	30–60 days	61–90 days	91–180 days	> 180 Days
31 December 2022	670,731	66,692	14,389	5,686	10,100	42,731	531,133
31 December 2021	801,627	68,000	60,557	4,698	13,617	45,795	608,960

19.6 This relates to contribution receivable from the shareholder under the framework agreement dated 19 December 2013 of EKC.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

20. Unbilled revenue

Movements in the unbilled revenue is as follows:

	31 December 2022	31 December 2021 (Restated – Note 38)
At the beginning of the year	1,143,567	1,674,191
Revenue for the year	69,129	67,569
Billing raised during the year	(469,171)	(598,193)
	743,525	1,143,567
Current portion of unbilled revenue	(154,676)	(520,913)
Non-current portion of unbilled revenue	588,849	622,654

a) Unbilled revenue against sale of development property

	31 December 2022	31 December 2021
Unbilled revenue against sale of development property	733,989	1,122,297
Less: Unbilled revenue against sale of development property - current portion	(145,140)	(499,643)
Unbilled revenue against sale of development property – non-current portion	588,849	622,654

b) Unbilled revenue against leasing

	31 December 2022	31 December 2021
Unbilled revenue against leasing	123,162	116,082
Less: impairment on unbilled revenue against leasing	(113,626)	(94,812)
Unbilled revenue against leasing - current portion	9,536	21,270

c) Movement in impairment on unbilled revenue against leasing

	31 December 2022	31 December 2021
At the beginning of the year	94,812	82,833
Provision for the year	18,814	11,979
At the end of the year	113,626	94,812

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

The Group, in respect of sale of development properties, has collaterals in the form of promissory notes or bank guarantees, the minimum collateral against sale of development properties is the fair value of the property sold to the customer as the Group transfers property title to the customer only upon receipt of the entire amount of the contract. The fair value of the property is incorporated in LGD which is significantly higher and accordingly no ECL is recognised in respect of unbilled revenue. As at 31 December 2022 and 2021, the fair value of all collaterals exceeds the carrying value of the respective unbilled revenue balances of the related contract.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

21. Cash and cash equivalents

	Note	31 December 2022	31 December 2021 (Restated – Note 38)
Cash and bank balances		133,863	306,617
Short-term Murabaha deposits	21.1	-	41,537
		133,863	348,154
Less: restricted cash – non-current	21.2	(45,389)	(101,199)
Less: restricted cash – current	21.2	(6,333)	(6,522)
		82,141	240,433

21.1 Short-term deposits, as at 31 December 2021, represent Murabaha deposits amounting to Saudi Riyals 41.5 million (2022: Nil) and were placed with commercial banks, with a maturity period of three months or less from date of placement, and yielded finance income at commercial rates.

21.2 As at 31 December 2022, these represent balances held in escrow accounts with a commercial bank as collateral under loan arrangement amounting to Saudi Riyals 45.4 million (31 December 2021: Saudi Riyals 101.2 million) and balances relating to off-plan sale of development properties amounting to Saudi Riyals 6.3 million (31 December 2021: Saudi Riyals 6.5 million). The classification of these balances depends on the contractual arrangement and completion of the projects.

21.3 The cash is held in current accounts with banks having sound credit ratings and does not carry any mark-up. The fair value of cash and cash equivalents approximates the carrying value at 31 December 2022 and 2021.

22. Employees' receivable – Home ownership scheme

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

	31 December 2022	31 December 2021	31 December 2022	31 December 2021 (Restated – Note 38)
	Gross receivable		Present value of gross receivable	
Current portion	6,559	7,280	3,858	4,116
Non-current portion:				
One to five years	26,235	29,121	16,875	18,019
Over five years	54,696	72,779	43,248	57,662
	80,931	101,900	60,123	75,681
Total	87,490	109,180	63,981	79,797

As at 31 December 2022, balance amounting to Saudi Riyals 86.46 million is not overdue and the remaining balance amounting to Saudi Riyals 1.03 million is overdue. No ECL has not been recorded against the balances as the Group transfers property title upon receipt of the entire amount of the contract.

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

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended 31 December 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

23. Share capital

As of 31 December 2022 and 2021, the Company's authorized and issued share capital was Saudi Riyals 11,333.33 million consisting of 1,333.33 million shares of Saudi Riyals 10 each (2021: 1,133 million shares of Saudi Riyals 10 each), allocated as follows:

	2022		2021	
	Number of Shares' 000	Capital	Number of Shares' 000	Capital
Issued for cash	680,000	6,800,000	680,000	6,800,000
Issued for consideration in kind	170,000	1,700,000	170,000	1,700,000
Issue of shares following the conversion of long-term loan into equity	283,333	2,833,333	283,333	2,833,333
	1,133,333	11,333,333	1,133,333	11,333,333

In addition to Note 25 to the consolidated financial statements, for partial novation agreement of the loan to the PIF, the Group had entered into a subscription agreement dated 31 August 2020 among the Group, its warrantors, and PIF, for capital increase by way of capitalizing the novation amount i.e. Saudi Riyals 2,833 million in accordance with the terms and provisions of the subscription agreement.

Subsequently, the Company's Board of Directors recommended the approval of the increase of the share capital of the Company to the extraordinary general assembly on 5 May 2021. Thereafter, the request to increase the Company's share capital through conversion of debt amounting to Saudi Riyals 2,833 million was approved by the Capital Market Authority ("CMA") on 1 Aug 2021 (debt-to-equity swap "Swap").

On 26 September 2021, the shareholders in an extraordinary general assembly approved the increase of the share capital of the Company from Saudi Riyals 8,500 million to Saudi Riyals 11,333 million. Accordingly, PIF became a shareholder of the Company through issuance of 283,333,334 new shares, at the nominal value of Saudi Riyals 10 per share, against the debt amount of Saudi Riyals 2,833 million. Since the transaction represented a Swap, the Group was required to apply the guidance detailed in Note 4 "Debt to equity swap". This included performing a fair value assessment of the new shares issued on the date of the liability extinguishment. Management had performed the fair valuation assessment dated 26 September 2021 of newly issued shares and assessed the fair value of Saudi Riyals 9.91, which is consistent with the subscription agreement, hence, Company did not record any gain / loss on debt-to-equity swap.

24. Statutory reserve

In accordance with the Company's By-laws, approved by the shareholders during April 2017, the Company must set aside 10% of its net profit in each year, after setting-off its accumulated losses, if applicable, until it has built up a reserve equal to 30% of the share capital. The Company may resolve to discontinue such transfers when the reserve totals 30% of the share capital. The reserve is not available for distribution. No such transfer was made for the years ended 31 December 2022 and 2021 due to net loss and accumulated losses for the year.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

25. Long-term borrowings

	31 December 2022	31 December 2021 (Restated-Note 38)
Ministry of Finance ("MoF") loan (Note (b) below)	2,166,667	2,166,667
Accrued commission	509,659	420,366
	2,676,326	2,587,033
Current portion	(2,676,326)	(2,520,366)
Non-current portion	-	66,667
Facility from a local bank (Note (c) below)	976,240	976,250
Accrued commission	1,258	1,875
	977,498	978,125
Current portion	(977,498)	(978,125)
Non-current portion	-	-
Facility from a local bank (Note (d) below)	1,690,124	1,688,896
Accrued commission	29,485	33,961
	1,719,609	1,722,857
Current portion	(1,719,609)	(33,961)
Non-current portion	-	1,688,896
Facility from a local bank (Note (e) below)	537,420	528,731
Accrued commission	11,841	7,002
	549,261	535,733
Current portion	(549,261)	(7,004)
Non-current portion	-	528,729
Facility from a local bank (Note (f) below)	114,105	131,428
Accrued commission	2,491	3,154
	116,596	134,582
Current portion	(39,679)	(40,341)
Non-current portion	76,917	94,241
Total long-term borrowings	6,039,290	5,958,330
Current portion of long-term borrowings*	(5,962,373)	(3,579,797)
Non-current portion of long-term borrowings	76,917	2,378,533

* As mentioned below, the Group has not complied with the requirements of covenants related to long-term borrowing facilities, resulting in the borrowings with outstanding balance of Saudi Riyals 2,777.5 million as at 31 December 2022 being immediately due and payable on demand in accordance with the terms and conditions of the borrowings. Such borrowings have been classified as current portion in the above schedule.

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

Notes to the consolidated financial statements for the year ended 31 December 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

25. Long-term borrowings (continued)

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

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

Further, during 2021, the Group received an approval from MoF, conditional upon signing of amendment to the original MoF loan agreement, wherein MoF approved conversion of accrued interests as of 1 June 2021 amounting to Saudi Riyals 363.9 million as principal outstanding and restructuring of the total remaining obligation of Saudi Riyals 2,531 million to be payable starting from June 2024, in six equal annual instalments of Saudi Riyals 361.5 million each and the final seventh instalment in June 2030 amounting to Saudi Riyals 361.6 million. The Group is under discussion with MoF to finalise the restructuring agreement. There are no covenants related to the facility.

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

During the year ended 31 December 2022, the Group entered into a revised / restructured agreement relating to the facility for the outstanding loan amount. Accordingly, as per the revised terms, the loan is repayable in fourteen semi-annual instalments starting from June 2023 to December 2029. The management has accounted for the loan modification as extinguishment of old financial liability and recognition of new financial liability as the terms of the revised loan agreement are substantially different. Modification costs for the restructured agreement amounting to Saudi Riyals 4.4 million have been recognized in the consolidated profit or loss.

There are financial debt covenants related to the facility including the cross-default clauses in respect of loan facilities with other commercial banks. As at 31 December 2022, the Group was not in compliance with certain covenants and, accordingly, the borrowings are payable on demand and, therefore, have been classified as current liability in the accompanying consolidated financial statements. The management has applied to the lender to obtain a waiver and the request is in process.

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

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

25. Long-term borrowings (continued)

During 2020, the Group entered into a revised / restructured agreement relating to the facility for the outstanding loan amount. Accordingly, as per the revised terms, the loan is repayable, after a grace period of 3 years from 2020 to 2022, in eight semi-annual unequal instalments from April 2023 to April 2030. The management has determined the impact of modification, related to the amendment of certain terms and conditions including repayment schedule, as immaterial.

There are non-financial debt covenants related to the facility including the cross-default clauses in respect of loan facilities with other commercial banks. As at 31 December 2022, the Group was not in compliance with certain covenants and, accordingly, the borrowings are payable on demand and, therefore, have been classified as current liability in the accompanying consolidated financial statements. The management has applied to the lender to obtain a waiver and the request is in process.

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

During 2021, the Group entered into a revised / restructured agreement relating to the facility for the outstanding loan amount. Accordingly, as per the revised terms, the existing facilities which consisted of long-term and short-term loan were restructured into a long-term loan repayable in fourteen semi-annual instalments starting from April 2023 to April 2029. The management has determined the impact of modification, related to the amendment of certain terms and conditions including repayment schedule, as immaterial.

There are financial and non-financial debt covenants related to the facility including the cross-default clauses in respect of loan facilities with other commercial banks. As at 31 December 2022, the Group was not in compliance with certain covenants and, accordingly, the borrowings are payable on demand and, therefore, have been classified as current liability in the accompanying consolidated financial statements. The management has applied to the lender to obtain a waiver and the request is in process.

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

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

There are no covenants related to the facility.

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

Subsequent to the year end 31 December 2022, on 8 February 2023, the Group entered into support agreement with bank and as a result all the principal repayments of the loan will be deferred till September 30, 2023.

As at 31 December 2022 DC facility has not been utilised by the Group.

**EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)**
Notes to the consolidated financial statements for the year ended 31 December 2022

(All amounts in Saudi Riyals thousands unless otherwise stated)

26. Short-term borrowings

The Group obtained short-term loan facility from a local commercial bank aggregating to Saudi Riyals 300 million as of 31 December 2022 (2021: Saudi Riyals 300 million). The facility bears financial costs at market rate which is based on SIBOR and is collateralised by promissory notes. The covenants of the short-term loan facility require the Group to maintain certain level of financial conditions and certain other matters. As at 31 December 2022, the Group was not in compliance with certain covenants, however, there was no impact of such non-compliance on the accompanying consolidated financial statements as the borrowing is already classified as a current liability based on its contractual maturity. The management has applied to the lender to obtain a waiver and the request is in process.

The unused balance of the facilities as at 31 December 2022 amounted to Saudi Riyals 98.71 million (2021: Saudi Riyals 101.23 million).

27. Employee benefit obligations
General Description of the plan

The Group operates an unfunded defined benefit plan in line with the labour law requirement in the Kingdom of Saudi Arabia. The end of service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the labour laws of the Kingdom of Saudi Arabia. The benefit payments are due upon termination of or resignation from employment. An independent actuary carried out latest valuation of employee benefit obligations under the projected unit credit method as at 31 December 2022 for the Group.

	31 December 2022	31 December 2021
Balance at the beginning of the year	43,371	61,937
Included in consolidated profit or loss		
Current service cost	12,279	12,225
Interest cost	1,302	1,858
	13,581	14,083
Included in consolidated other comprehensive income		
Remeasurement gain arising from experience adjustments	(6,609)	(7,499)
Benefits paid	(9,502)	(25,150)
Balance at the end of the year	40,841	43,371

Actuarial assumptions

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

	2022	2021
Discount rate	4.50%	3.0%
Expected rate of future salary increase	5.0%	3.5%
Retirement age	60 years	60 years

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

27. Employee benefit obligation (continued)

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

	Change in assumption by	Impact on ETB liability Increase / (decrease)			
		31 December 2022		31 December 2021	
		Increase in rate	Decrease in rate	Increase in rate	Decrease in rate
Discount rate	1%	(3,424)	3,984	(3,661)	4,275
Expected rate of future salary increase	1%	3,923	(3,439)	4,186	(3,662)

The weighted average duration of the defined benefit obligation for 2022 is 9 years.

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

	31 December 2022	31 December 2021
Less than a year	3,946	4,336
Between 1-2 years	2,854	2,596
Between 2-5 years	8,878	8,902
Over 5 years	49,498	39,167
	65,176	55,001

28. Trade and other payables

	Note	31 December 2022	31 December 2021 (Restated – Note 38)
Contract liabilities	28.1	986,638	1,141,216
Accrued expenses and other payables		252,595	206,027
Trade payables		226,565	378,628
Retentions payable		203,370	247,906
Contractors accrued balances		101,984	151,552
Amounts due to related parties	30	6,442	8,043
Others	28.2	31,724	36,212
		1,809,318	2,169,584

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

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022

(All amounts in Saudi Riyals thousands unless otherwise stated)

28. Trade and other payables (continued)

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

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

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

Following is the movement of contract liability:

	31 December 2022	31 December 2021
At the beginning of the year	1,141,216	1,175,477
Revenue for the year	(193,870)	(180,798)
Billing raised / advance received during the year	39,292	146,537
	986,638	1,141,216

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

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

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

29. Zakat
29.1 Charge for the year

	31 December 2022	31 December 2021
Provision for current year Zakat expense	43,152	31,000
Provision related to open assessments	56,356	-
	99,508	31,000

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

29.2 Movement in provision

The movement in the Zakat provision is as follows:

	31 December 2022	31 December 2021 (Restated – Note 38)
At the beginning of the year	148,524	196,285
Charge for the current year	43,152	31,000
Charge for the open assessments	56,356	-
	99,508	31,000
Payments during the year	(32,574)	(78,761)
At the end of the year	215,458	148,524

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

29. Zakat (continued)

29.3 Components of zakat base

The Company and its fully owned Saudi Arabian subsidiaries file zakat declarations on a consolidated basis in accordance with the regulations of the ZATCA. The significant components of the zakat base under zakat and income tax regulation are principally comprised of shareholders' equity, provisions at the beginning of period, loans and borrowings and estimated income subject to zakat, less deductions for the net book value of property and equipment, investment properties and certain other items. Zakat is payable at 2.58% of approximate zakat base (excluding adjusted net income for the period) and at 2.5% of the adjusted net profit for the period.

29.4 Status of assessments

a) ECC

EEC finalized its zakat status up to the year 2011 except for the withholding tax ("WHT") assessments for the years 2006 to 2008.

The ZATCA issued WHT assessment for the years 2006 to 2008 with an additional WHT liability of Saudi Riyals 3.96 million in addition to delay fines of Saudi Riyals 2 million on the WHT. In compliance with the appeal procedures, EEC paid the WHT difference under protest.

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

During 2020, ZATCA issued Zakat assessment for the year 2014 and claimed additional Zakat of Saudi Riyals 67.7 million. EEC filed an appeal against the ZATCA's assessment. ZATCA issued a revised assessment on 8 October 2020 with a reduced Zakat liability of Saudi Riyals 33 million. EEC filed an appeal against the revised assessment with the Tax Violations Dispute Resolution Committee ("TVDRC"). The TVDRC rendered its decision on 28 December 2021 and partially accepted EEC's appeal resulting in a reduced Zakat liability to Saudi Riyals 21 million. EEC has further filed an appeal with the Tax Violations and Dispute Appellate Committee ("TVDAC") which is pending adjudication.

The ZATCA has also issued Zakat assessments dated 23 November 2020 for the years 2015 to 2018 with additional Zakat liability of Saudi Riyals 254 million. EEC filed an appeal against the ZATCA's assessment. The ZATCA issued a revised assessment on 24 February 2021 with reduced Zakat liability of Saudi Riyals 247 million. EEC filed an appeal against the ZATCA's revised assessment with the TVDRC. The TVDRC rendered its decision on 11 April 2022 and partially accepted EEC's appeal resulting in a reduced Zakat liability to Saudi Riyals 219 million. EEC has filed an appeal with the TVDAC on 27 April 2022 which is pending adjudication.

The ZATCA issued Zakat assessments dated 8 November 2021 for the years 2019 and 2020 with additional Zakat liability of Saudi Riyals 27 million and Saudi Riyals 18 million, respectively. EEC filed objections against the ZATCA's assessments on 6 January 2022. The ZATCA issued a revised assessment on 25 April 2022 for the year 2019 with a reduced zakat liability of Saudi Riyals 20.6 million and on 24 April 2022 for the year 2020 with reduced zakat liability of Saudi Riyals 10.3 million. EEC has filed an appeal with the TVDRC on 4 May 2022. The TVDRC rendered its decision on 23 October 2022 and partially accepted the EEC's appeal resulting in a reduced liability of Saudi Riyals 19.8 million for the year 2019 and Saudi Riyals 3.7 million for the year 2020. Both, EEC and the ZATCA have filed appeals with the TVDAC against the TVDRC's decision, which is pending adjudication.

EEC has filed the Zakat returns up to the year 2021 and obtained the Zakat certificates. The ZATCA has not finalized the review of EEC's remaining returns to date.

b) IZDCL

IZDCL finalized its Zakat returns up to the year 2012. The ZATCA issued Zakat assessment for the years 2013 to 2015 and claimed additional Zakat liability of Saudi Riyals 4.6 million. IZDCL objected against the ZATCA assessment, providing the supporting documents for its position. The ZATCA has transferred the case to the General Secretariat of Zakat, Tax and Customs Committees ("GSTC") and IZDCL has also registered an appeal on GSTC's portal. The TVDRC conducted the hearing session on 22 October 2020 and rendered its decision on 22 December 2020, rejecting IZDCL's appeal. IZDCL has filed an appeal against the TVDRC's decision with the TVDAC.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

29. Zakat (continued)

29.4 Status of assessments (continued)

The ZATCA has issued Zakat assessment for the years ended 31 December 2016 and 2017 and claimed additional Zakat of Saudi Riyals 7.4 million and Saudi Riyals 18 million, respectively. IZDCL has objected against the ZATCA's assessment, providing the supporting documents for its position. The ZATCA rejected the objection through its letter dated 16 January 2022. IZDCL has filed an appeal with the TVDRC against the ZATCA decision, which is pending adjudication.

IZDCL has submitted the application for Ministerial Resolution ('MR') No. 13957, which allows Zakat payers to apply the provisions of the Zakat regulations issued under MR No. 2216 to years prior to 2019, for the years 2013 to 2017 on 13 December 2022. The ZATCA has confirmed initial acceptance of the application request for all the years on 28 December 2022.

IZDCL filed the Zakat returns up to the year 2021 and obtained the Zakat certificates. The ZATCA has not finalized the review of IZDCL's remaining returns to date.

c) RED

The ZATCA issued Zakat assessments dated 29 November 2020 for the years 2015 to 2017 with additional Zakat liability of Saudi Riyals 72.45 million. RED objected against the ZATCA assessment. The ZATCA rejected RED's objection and RED has filed an appeal against the ZATCA's decision with the TVDRC. TVDRC rendered its decision on 5 April 2022 wherein they partially accepted RED's appeal resulting in a reduced Zakat liability of Saudi Riyals 38.2 million. Following receipt of the TVDRC's decision, RED has now filed an appeal with the TVDAC on 28 April 2022 which is pending adjudication.

On 13 December 2022, RED has submitted the application for MR No. 13957 for the years 2015 to 2017. The ZATCA has confirmed initial acceptance of the application request for these years on 28 December 2022.

RED filed the Zakat returns up to the year 2021 and obtained the Zakat certificates. The ZATCA has not finalized the review of RED's remaining returns to date.

d) REOM

REOM has filed the Zakat returns up to the year 2021 and obtained the Zakat certificates. The ZATCA has not issued any assessments to date.

e) ECIC

ECIC has filed the Zakat returns up to the year 2021 and obtained the Zakat certificates. ECIC finalized Zakat returns up to the year 2012. The ZATCA has not finalized the review of the remaining returns to date.

f) EKC

EKC has filed the Zakat returns up to the year 2021 and obtained the Zakat certificates. EKC finalized Zakat returns up to the year 2017. The ZATCA has not finalized the review of the remaining returns to date.

g) REM

REM has filed the Zakat returns up to the year 2021 and obtained the Zakat certificates. The ZATCA has not issued any assessments to date.

In relation to the aforementioned assessments, the management has applied its judgement and interpretation of the ZATCA requirements and applicable regulations and is confident that the matters will be ultimately decided in the Group's favour.

30. Related party matters

Related parties include shareholders, directors, associated companies and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. Related parties also include business entities in which certain directors or senior management have significant influence ("other related parties").

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

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

30. Related party transactions (continued)

Related party	Nature of transactions	Transactions		Balance as at	
		2022	2021	31 December 2022	31 December 2021
Amounts due from related parties					
Affiliates	Sales, lease rentals, utilities, service charges and other	70,055	172	18,163	206
Joint Venture	Lease rentals and utilities charges	3	-	581	3,269
Key management personnel	Sale of properties, utilities and service charges	16	204	3	88
	Lease rentals	157	-	73	-
Board of directors	Other	-	-	54	-
Total		70,231	376	18,874	3,563
Amounts due to related parties					
Affiliates	Services provided to the Group	1,290	3,449	(2,011)	(3,031)
Key management personnel	Remuneration	22,901	18,995	-	(12)
Board of directors	Remuneration and meeting fees	4,415	5,000	(4,415)	(5,000)
	Others	-	2,798	(16)	-
Total		28,606	30,242	(6,442)	(8,043)

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended 31 December 2022

(All amounts in Saudi Riyals thousands unless otherwise stated)

30. Related party transactions (continued)

Compensation of key management personnel of the Group

	31 December 2022	31 December 2021
Short-term employee benefits	20,185	16,675
Non-monetary benefits	1,146	1,121
Post-employment benefits	824	815
Termination benefits	745	384
	22,900	18,995

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

31. Other provisions

The Group, from time to time, is a defendant in lawsuits, which mainly represent commercial disputes. During the year ended 31 December 2022, management has recorded a provision amounting to Saudi Riyals 163.25 million for certain lawsuits, where the management expects an unfavourable outcome based on the consultation with its legal advisors.

32. Contingent liabilities and commitments

In addition to disclosure set out in Notes 17 and 31, contingent liabilities and commitments, as at 31 December 2022, are described as below:

- a) Based on management's assessment and consultation with its Zakat advisors, management has assessed potential exposure arising from open Zakat assessments and, accordingly, has recorded a provision amounting to Saudi Riyals 56.36 million. Refer to Note 29 for zakat related contingencies.
- b) The Group's outstanding commitments related to future expenditure for the development of KAEC in the coming few years related to property and equipment, investment properties and development properties amounts to Saudi Riyals 209.56 million, Saudi Riyals 148.69 million and Saudi Riyals 70.53 million respectively (2021: Saudi Riyals 307.82 million, Saudi Riyals 138.91 million and Saudi Riyals 90.43 million).
- c) The Group's outstanding commitments related to letter of guarantee and letters of credit amounting to Saudi Riyals 22.89 million and Saudi Riyals 25.18 million respectively (2021: Saudi Riyals Nil and Saudi Riyals 45.51 million respectively).
- d) Refer to Note 17 for equity accounted investee related contingency.
- e) The Group's share in the capital commitments of the joint venture is Saudi Riyals 138.5 million (2021: Saudi Riyals 232.18 million).
- f) Refer to Note 15 for future minimum rentals receivable.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

33. Segmental information

Basis of segmentation

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

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

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

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

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

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

33. Segments related revenue and profitability

	Residential business	Industrial development	Hospitality and leisure	Education	City operations	Corporate eliminations	Adjustments and eliminations	Total
For the year ended 31 December 2022								
Revenue								
External customers*	52,258	147,932	103,905	42,635	26,597	(9,940)	-	363,387
Inter-segment	11,919	-	32,641	-	63,046	-	(107,606)	-
	64,177	147,932	136,546	42,635	89,643	(9,940)	(107,606)	363,387
Results								
Cost of inventories and services recognised as an expense	(82,803)	(43,995)	(47,656)	(4,464)	(77,629)	(16,832)	52,343	(221,036)
Impairment loss on non-financial assets	(22,231)	-	-	-	-	(36,755)	-	(58,986)
Impairment loss on financial assets	(36,830)	(15,304)	(3,357)	(2,456)	(5,086)	-	-	(63,033)
Financial charges	(69)	-	(2,534)	(4,404)	-	(287,292)	-	(294,299)
Financial income	-	-	-	-	-	1,892	-	1,892
Depreciation	(36,879)	(22,857)	(74,770)	(24,553)	(3,137)	(134,196)	-	(296,392)
Amortisation	(226)	-	-	(52)	-	(1,587)	-	(1,865)
Share of results of equity accounted investee	-	-	-	-	-	25,045	-	25,045
Other (expenses) / income	(63,374)	(26,731)	(59,059)	(68,580)	(20,361)	(247,068)	(27,322)	(512,495)
Loss before Zakat	(178,235)	39,045	(50,830)	(61,874)	(16,570)	(706,733)	(82,585)	(1,057,782)
Zakat	-	-	-	-	-	(99,508)	-	(99,508)
Loss for the year	(178,235)	39,045	(50,830)	(61,874)	(16,570)	(806,241)	(82,585)	(1,157,290)

* Revenues from one customer of the Group, relating to the industrial development segment, amounts to Saudi Riyals 69.8 million (2021: Nil).

**EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)**
Notes to the consolidated financial statements for the year ended 31 December 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

33. Segments related revenue and profitability (continued)

	Residential business	Industrial development	Hospitality and leisure	Education	City operations	Corporate	Adjustments and eliminations	Total
For the year ended 31 December 2021								
Revenue								
External customers	84,121	93,056	133,149	36,234	23,341	2,178	-	372,079
Inter-segment	26,251	1,632	35,978	-	61,124	-	(124,985)	-
	110,372	94,688	169,127	36,234	84,465	2,178	(124,985)	372,079
Results								
Cost of inventories and services recognised as an expense	(143,452)	(31,641)	(47,514)	(5,026)	(104,169)	(28,946)	74,995	(285,753)
Impairment loss on non - financial assets	-	-	-	-	-	(15,560)	-	(15,560)
Impairment loss on financial assets	(26,523)	(12,802)	(1,727)	(1,878)	(2,880)	-9,680	-	(55,490)
Financial charges	(199)	-	(4,216)	(5,033)	(10)	(238,452)	4,745	(243,165)
Financial income	-	-	-	-	-	558	-	558
Depreciation	(43,495)	(23,486)	(77,561)	(25,590)	(5,851)	(132,232)	5,847	(302,368)
Amortisation	(571)	-	(21)	(1,282)	-	(6,149)	-	(8,023)
Share of results of equity accounted investee	-	-	-	-	-	45,839	-	45,839
Other (expenses) / income	(65,317)	(18,725)	(58,585)	(36,225)	(22,957)	(149,458)	37,621	(313,646)
Loss before Zakat	(169,185)	8,034	(20,497)	(38,800)	(51,402)	(531,902)	(1,777)	(805,529)
Zakat	-	-	-	-	-	(31,000)	-	(31,000)
Loss for the year	(169,185)	8,034	(20,497)	(38,800)	(51,402)	(562,902)	(1,777)	(836,529)

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

34. Supplemental schedule of non-cash information

	Note	31 December 2022	31 December 2021
Transfer of investment properties to development properties	15, 18	<u>19,310</u>	15,439

35. Financial instruments risk management

Overview

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

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

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

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

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

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

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

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

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

35.1 Credit risk

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

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

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

35. Financial instruments risk management (continued)

35.1 Credit risk (continued)

The Group seeks to manage its credit risk with respect to customers by monitoring outstanding receivables. Certain sales pertaining to real estate are made on instalment basis. The sale agreements with customers provide that the title to the property is transferred to the customers only upon the receipt of complete sale price. The collection department monitors the situation of outstanding receivables and follows up with customers for the payments in accordance with the contractual terms. The five largest customers account for 29% (2021: 26.4%) of outstanding trade receivables as at 31 December 2022. Payment term varies from product to product with some exceptions at the customer level.

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

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

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

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

	31 December 2022	31 December 2021
Unbilled revenue	743,525	1,143,567
Employees' receivable – home ownership scheme	63,981	79,797
Trade receivables and other current assets	387,214	550,256
Restricted cash	51,722	107,721
Cash and cash equivalents	82,141	240,433
	1,328,583	2,121,774

Excessive risk of concentration

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

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

35. Financial instruments risk management (continued)

35.2 Market risk

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

i. Commission rate risk

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

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

As at 31 December, 2022, the fair value of the borrowings and their carrying values are estimated to approximate their fair values.

Commission rate sensitivity

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

	Increase/decrease in basis points	Effect on loss before Zakat
2022	+100	(54,944)
	-100	54,944
2021	+100	(55,031)
	-100	55,031

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

The weighted average rate for the Group's long-term borrowings is approximately 4.73%.

ii. Currency risk

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

iii. Price risk

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

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

35. Financial instruments risk management (continued)

35.3 Liquidity risk

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

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

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

Financial liabilities

	31 December 2022					
	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Over 5 years	Total
Loans and borrowings	5,925,587	88,327	673,760	1,141,247	251,958	8,080,879
Lease liabilities	44,707	-	12,460	30,681	-	87,848
Short-term borrowings	-	201,765	-	-	-	201,765
Trade and other payables	2,473	271,369	548,838	-	-	822,680
	5,972,767	561,461	1,235,058	1,171,928	251,958	9,193,172

	31 December 2021					
	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Over 5 years	Total
Loans and borrowings	3,500,739	34,147	221,719	2,586,837	1,860,514	8,203,956
Lease liabilities	18,390	-	26,615	36,556	-	81,561
Short-term borrowings	-	198,773	-	-	-	198,773
Trade and other payables	3,552	233,454	791,362	-	-	1,028,368
	3,522,681	466,374	1,039,696	2,623,393	1,860,514	9,512,658

Financial assets

31 December 2022	31 December 2022		
	Less than 12 months	More than 12 months	Total
Trade receivables and other current assets	387,214	-	387,214
Restricted cash	51,722	-	51,722
Cash and cash equivalents	82,141	-	82,141
	521,077	-	521,077

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

35. Financial instruments risk management (continued)
35.3 Liquidity risk (continued)

	31 December 2021		Total
	Less than 12 months	More than 12 months	
Trade receivables and other current assets	557,910	-	557,910
Restricted cash	6,522	101,199	107,721
Cash and cash equivalents	240,433	-	240,433
	804,865	101,199	906,064

36. Capital management

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

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. The capital structure includes all component of shareholders' equity amounting to Saudi Riyals 6.65 billion. The Group maintains credit facilities with banks to maintain its working capital requirements. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, the ratio is calculated based on the net debt divided by total capital. At 31 December 2022, the Group's gearing ratio is 48.39% (2021: 43.54%). The target of the Group is to keep the gearing ratio below 50%.

	2022	2021
Borrowings	6,241,055	6,157,103
Lease liabilities	81,263	81,561
Less: cash and cash equivalents	(82,141)	(240,433)
Net debt (A)	6,240,177	5,998,231
Total equity (B)	6,654,777	7,776,807
Total capital (A+B)	12,894,954	13,775,038
Gearing ratio (A / (A+B))	48.39%	43.54%

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call borrowings. There have been breaches of the some of the financial covenants of borrowings in the current year (refer Note 25). No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 31 December 2021. Also see Note 1.

Net debt reconciliation of the Group is as follows:

	Borrowings	Leases	Net debt
1 January 2021	(8,912,803)	(92,118)	(9,004,921)
Debt equity swap	2,833,333	-	2,833,333
Finance costs	(236,668)	(2,871)	(239,539)
Proceeds	(3,980)	-	(3,980)
Repayment of loan and borrowing	55,481	13,428	68,909
Finance cost paid	107,534	-	107,534
31 December 2021	(6,157,103)	(81,561)	(6,238,664)
Finance costs	(288,039)	(2,153)	(290,192)
Proceeds	(148,303)	-	(148,303)
Repayment of loan and borrowing	154,433	2,451	156,884
Finance cost paid	197,957	-	197,957
31 December 2022	(6,241,055)	(81,263)	(6,322,318)

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

37. Fair value of assets and liabilities

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

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

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

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

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

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

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

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

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

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

38. Restatement of comparative information

During the year, the Group restated certain amounts and balances included in the prior year consolidated financial statements in order to reflect appropriate accounting and classification. The details of each of such restatements have been summarised below:

Restatement - 1

In the prior years, accrued financial charges were included within 'trade and other payables' which is inconsistent with the nature of trade and other payables. Trade and other payables are generally liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier. Interest payable is financing in nature and accounting standards require financing to be shown separately from trade and other payables.

During the year ended 31 December 2022, management of the Group has reclassified these balances from 'trade and other payables' to 'loans and borrowings - current portion' in order to reflect the nature of these balances and also to realign the accounting for long-term loans with amortised cost accounting.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

38. Restatement of comparative information (continued)

Restatement - 2

During the year ended 31 December 2022, the presentation of unearned finance income related to revenue from contracts with customers was reassessed. In prior years, unbilled receivables from customers were recorded at the gross amount of such consideration. Given such transactions contained a significant financing component, revenue was recorded at the gross amount less an adjustment for the significant financing component which was recorded as “unearned financing component” in non-current liabilities. This resulted in an overstatement of the unbilled receivables and non-current liabilities and did not conform to the requirements of IFRS 15 - Revenue from Contracts with Customers (“IFRS 15”).

During the year ended 31 December 2022, management reassessed the above treatment of “unearned financing component” and consequently restated the comparative figures by adjusting the ‘unearned financing component’ from non-current liabilities against related ‘unbilled revenue’ to correct the presentation.

Restatement - 3

The Group operates an “Employee Ownership Scheme”, which is categorised as finance lease in the financial statements. In prior years, management has recorded receivables comprising lease payments at the gross value which included unearned interest and a liability was recognised for ‘unearned interest income’ in the consolidated statement of financial position under non-current liabilities and the current portion within ‘trade and other payables’. In accordance with IFRS 16 - Leases, the lessor shall recognise assets under a finance lease at an amount equal to the net investment in the lease, which does not include ‘unearned finance income’.

During the year ended 31 December 2022, management corrected the above treatment of “unearned interest income” and consequently has adjusted such balance of ‘unearned interest income’ from non-current liabilities against the lease receivables.

Restatement - 4

The development properties of the Group represent completed and ongoing real estate projects being developed for sale as residential and commercial units and plots of lands. Management has determined the properties and plots of land would be used for future sale in the ordinary course of Group’s operations and in its normal operating cycle. In the prior years, management classified certain development properties under non-current assets, which it determined to be completed and not as current assets.

During the year ended 31 December 2022, management reconsidered the classification of development properties under non-current assets. As a result, certain properties and plots of lands which are completed and are available for immediate sale in their current condition without significant development activities were reclassified to current assets to align with the requirements of IFRS.

Restatement - 5

On 26 September 2021, the shareholders in the extraordinary general assembly approved the increase of the share capital of the Company from SR 8,500 million to SAR 11,333 million. Accordingly, 283,333,334 new shares were issued, at the nominal value of SR 10 per share (see Note 23 for details). However, in the prior year financial statements, management in calculating the earnings per share, management used the total outstanding number of shares as at 31 December, 2021. IAS 33 - Earnings per Share requires ordinary shares issued in exchange for the settlement of a liability of the entity as of the settlement date and not for the full period. As such, shares should be included in the weighted average calculation from the date consideration is receivable.

During the year ended 31 December 2022, management corrected the calculation of earnings per share by appropriately weighting the average number of shares.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

38. Restatement of comparative information (continued)

Restatement - 6

In the prior years, the cash and cash equivalents of the Group included bank balance held in an escrow account with a commercial bank as collateral under loan arrangement.

These balances are subject to significant restrictions and are not available for general use by the Group. In accordance with IAS 7 - Statement of Cash flows, given the bank balances that are not available for general use by the Group should not form part of cash and cash equivalents.

For the year ended 31 December 2022, the Group re-assessed the nature of the restricted deposits and concluded that the balances are not available on demand and the nature of the restrictions are severe to the extent the balances do not meet the definition of cash and cash equivalents as defined in IAS 7 - Statement of Cash flows.

Restatement - 7

In addition to the above bank balances related to collateral, the cash and cash equivalents of the Group consists of balances held in escrow accounts for development of off - plan projects.

These balances are subject to restrictions and are not available for general use by the Group. In accordance with IAS 7 - Statement of Cash Flows, bank balances that are not available for general use by the Group should not form part of cash and cash equivalents.

For the year ended 31 December 2022, the Group re-assessed the nature of the restricted deposits and concluded that the balances are not available on demand and the nature of the restrictions are severe to the extent the balances do not meet the definition of cash and cash equivalents as defined in IAS 7 - Statement of Cash Flows.

Restatement - 8

During the year management identified that contract liability and contract asset (unbilled revenue) balances were presented on a net basis. In accordance with IAS 1 - Presentation of Financial Statements, an asset and liability shall not be offset, unless required by IFRS. There is no IFRS which allows such balances to be presented net. As such, during the year ended 31 December 2022, management corrected the above treatment and consequently adjusted the balance of 'unbilled revenue' and 'trade and other payables' to be presented on a gross basis in current assets and non-current assets and current liabilities, respectively.

Restatement - 9

In prior years, management did not assess expected credit losses ('ECL') on unbilled lease receivable balances. In accordance with IFRS 9 - Financial Instruments, management is required to assess ECL on unbilled lease receivable balances in the scope of IFRS 16.

During the year ended 31 December 2022, management assessed the impact of ("ECL") on unbilled lease receivable balances and consequently adjusted the balances of 'unbilled revenue' in the consolidated statement of financial position and "impairment loss on financial and contract assets" in the consolidated statement of profit or loss and other comprehensive income.

Restatement - 10

In addition to the above restatement, management identified that there was no ECL on trade receivable balances 'not yet due'. In accordance with IFRS 9 - Financial Instruments, management is required to assess ECL on financial assets including trade receivable balances 'not yet due'.

As a result, during the year ended 31 December 2022, management assessed the impact of ECL on trade receivable balances 'not yet due' and consequently adjusted the balances of 'trade receivables and other current assets' in the consolidated statement of financial position and "impairment loss on financial and contract assets" in the consolidated statement of profit or loss and other comprehensive income.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

38. Restatement of comparative information (continued)

Restatement - 11

In prior years management presented provisions relating to open zakat assessments as part of 'trade and other payables', which is inconsistent with the nature of trade and other payables. Trade and other payables are generally liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier. Provision for open zakat assessments do not meet the nature of trade and other payables.

During the year ended 31 December 2022, management of the Group has reclassified these balances from 'trade and other payables' to 'zakat provision' in order to reflect the nature of these balances.

Restatement - 12

During the year ended 31 December 2022, the Group performed an exercise to determine if the presentation of the consolidated statement of profit and loss and other comprehensive income is in accordance with IAS 1 "Presentation of Financial Statements". This exercise resulted in reclassification of certain line items in the consolidated statement of profit or loss and other comprehensive income to conform with IFRS.

Below is the summary of the reclassifications made for the line items affected:

12 (a) - Reclassification of other income

In prior years, other income which includes income from operating activities was excluded from operating activities and presented below "Operating Loss" in the consolidated statement of profit and loss and other comprehensive income.

In accordance with the requirements of IAS 1 'Presentation of financial statements', when "Operating Loss" is disclosed in the consolidated financial statements the amount should include all items that are clearly related to operation, i.e. it should be representative of activities that would normally be regarded as "Operating".

During the year, management has reassessed the above requirements and as a result 'other income' amounting to Saudi Riyals 90.7 million has been categorised as operating activities and presented within 'Operating Loss' in the consolidated statement of profit and loss and other comprehensive income.

12 (b) - Presentation of impairment loss from financial assets as a separate financial statement line item on the face of the statement of profit or loss and other comprehensive income

In prior years, impairment loss from financial assets and non-financial assets were combined and presented as one financial statement line item on the face of the consolidated statement of profit and loss and other comprehensive income under "Impairment Loss".

In accordance with the requirements of IAS 1 'Presentation of financial statements', impairment loss on financial assets should be shown as a separate financial statements line item on the face of the statement of profit and loss and other comprehensive income.

During the year ended 31 December 2022, management has reassessed the above requirements and as a result impairment of financial assets and non-financial assets have been presented as separate line items in the consolidated statement of profit or loss and other comprehensive income.

12 (c) - Reclassification of depreciation relating to infrastructure assets to cost of sales.

In prior years, management had classified the depreciation of infrastructure assets, classified within property and equipment, as operating expenses.

During the year ended 31 December 2022, management assessed the nature of infrastructure assets and consequently reclassified the depreciation of infrastructure assets to 'cost of revenue' as this is used primarily to generate revenue.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

38. Restatement of comparative information (continued)

Effect on the consolidated statement of financial position:

	Previously reported	Restatement - 1	Restatement - 2	Restatement - 3	Restatement - 4	Restatement - 6	Restatement - 7	Restatement - 8	Restatement - 9	Restatement - 10	Restatement - 11	Restated
As at 31 December 2021												
Assets												
Non-current assets												
Development properties	1,118,702	-	-	-	(540,251)	-	-	-	-	-	-	578,451
Unbilled revenue	182,344	-	(59,377)	-	-	-	-	499,687	-	-	-	622,654
Employees' receivable - home ownership scheme	101,900	-	-	(26,219)	-	-	-	-	-	-	-	75,681
Restricted cash	-	-	-	-	-	101,199	-	-	-	-	-	101,199
Total non-current assets	14,204,854	-	(59,377)	(26,219)	(540,251)	101,199	-	499,687	-	-	-	14,179,893
Current assets												
Development properties	298,024	-	-	-	540,251	-	-	-	-	-	-	838,275
Unbilled revenue	118,612	-	-	-	-	-	-	497,113	(94,812)	-	-	520,913
Current portion of employees' receivable - home ownership scheme	7,280	-	-	(3,164)	-	-	-	-	-	-	-	4,116
Trade receivables and other current assets	594,450	-	-	-	-	-	-	-	-	(7,652)	-	586,798
Restricted cash - current portion	-	-	-	-	-	-	6,522	-	-	-	-	6,522
Cash and cash equivalents	348,154	-	-	-	-	(101,199)	(6,522)	-	-	-	-	240,433
Total current assets	1,366,520	-	-	(3,164)	540,251	(101,199)	(6,522)	497,113	(94,812)	(7,652)	-	2,197,057
Total assets	15,571,374	-	(59,377)	(29,383)	-	-	-	996,800	(94,812)	(7,652)	-	16,376,950

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

38. Restatement of comparative information (continued)

<u>As at 31 December</u>	<u>Previously</u>	<u>Restate</u>	<u>Restate</u>	<u>Restate</u>	<u>Restate</u>	<u>Restate</u>	<u>Restate</u>	<u>Restate</u>	<u>Restate</u>	<u>Restate</u>	<u>Restated</u>
<u>2021</u>	<u>reported</u>	<u>ment -1</u>	<u>ment -2</u>	<u>ment -3</u>	<u>ment -4</u>	<u>ment -6</u>	<u>ment -7</u>	<u>ment -8</u>	<u>ment -9</u>	<u>ment -10</u>	<u>ment -11</u>
Equity											
Accumulated losses	(3,465,598)	-	-	-	-	-	-	-	(94,812)	(7,652)	(3,568,062)
Total equity	7,879,271	-	-	-	-	-	-	-	(94,812)	(7,652)	7,776,807
Liabilities											
Non-current liabilities											
Unearned financing component on long-term receivables	59,377	-	(59,377)	-	-	-	-	-	-	-	-
Unearned interest income - home ownership scheme	26,219	-	-	(26,219)	-	-	-	-	-	-	-
Total non-current liabilities	2,544,056	-	(59,377)	(26,219)	-	-	-	-	-	-	2,458,460
Current liabilities											
Long-term borrowings - current portion	3,113,438	466,359	-	-	-	-	-	-	-	-	3,579,797
Trade and other payables	1,729,905	(466,359)	-	(3,164)	-	-	-	996,800	-	-	2,169,584
Zakat provision	60,926	-	-	-	-	-	-	-	-	-	87,598
Total current liabilities	5,148,047	-	-	(3,164)	-	-	-	996,800	-	-	6,141,683
Total liabilities	7,692,103	-	(59,377)	(29,383)	-	-	-	996,800	-	-	8,600,143
Total equity and liabilities	15,571,374	-	(59,377)	(29,383)	-	-	-	996,800	(94,812)	(7,652)	16,376,950

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

38. Restatement of comparative information (continued)

Effect on the consolidated statement of financial position:

	Previously reported	Restatement -1	Restatement -2	Restatement -3	Restatement -4	Restatement -6	Restatement -7	Restatement -8	Restatement -9	Restatement -10	Restatement -11	Restated
As at 1 January 2021												
Assets												
Non-current assets												
Development properties	1,315,494	-	-	-	(451,231)	-	-	-	-	-	-	864,263
Unbilled revenue	300,848	-	(93,906)	-	-	-	-	876,184	-	-	-	1,083,126
Employees' receivable - home ownership scheme	117,848	-	-	(31,977)	-	-	-	-	-	-	-	85,871
Restricted cash	-	-	-	-	-	100,000	-	-	-	-	-	100,000
Total non-current assets	14,788,076	-	(93,906)	(31,977)	(451,231)	100,000	-	876,184	-	-	-	15,187,146
Current assets												
Development properties	145,153	-	-	-	451,231	-	-	-	-	-	-	596,384
Unbilled revenue	444,610	-	-	-	-	-	-	229,288	(82,833)	-	-	591,065
Current portion of employees' receivable - home ownership scheme	7,785	-	-	(3,571)	-	-	-	-	-	-	-	4,214
Trade receivables and other current assets	654,776	-	-	-	-	-	-	-	-	(10,540)	-	644,236
Restricted cash - current portion	-	-	-	-	-	-	11,798	-	-	-	-	11,798
Cash and cash equivalents	174,904	-	-	-	-	(100,000)	(11,798)	-	-	-	-	63,106
Total current assets	1,528,586	-	-	(3,571)	451,231	(100,000)	-	229,288	(82,833)	(10,540)	-	2,012,161
Total assets	16,316,662	-	(93,906)	(35,548)	-	-	-	1,105,472	(82,833)	(10,540)	-	17,199,307

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

38. Restatement of comparative information (continued)

<u>As at 1 January</u>											
<u>2021</u>											
	Previously reported	Restatement -1	Restatement - 2	Restatement - 3	Restatement - 4	Restatement - 6	Restatement - 7	Restatement - 8	Restatement - 9	Restatement -10	Restatement - 11
											Restated
Equity											
Accumulated losses	(2,668,263)	-	-	-	-	-	-	-	(82,833)	(10,540)	(2,761,636)
Total equity	5,843,273	-	-	-	-	-	-	-	(82,833)	(10,540)	5,749,900
Liabilities											
Non-current liabilities											
Unearned financing component on long-term receivables	93,906	-	(93,906)	-	-	-	-	-	-	-	-
Unearned interest income - home ownership scheme	31,977	-	-	(31,977)	-	-	-	-	-	-	-
Total non-current liabilities	5,714,300	-	(93,906)	(31,977)	-	-	-	-	-	-	5,588,417
Current liabilities											
Long-term borrowings - current portion	2,626,250	338,459	-	-	-	-	-	-	-	-	2,964,709
Trade and other payables	1,510,420	(338,459)	-	(3,571)	-	-	-	1,105,472	-	-	2,186,264
Zakat provision	108,687	-	-	-	-	-	-	-	-	-	196,285
Total current liabilities	4,759,089	-	-	(3,571)	-	-	-	1,105,472	-	-	5,860,990
Total liabilities	10,473,389	-	(93,906)	(35,548)	-	-	-	1,105,472	-	-	11,449,407
Total equity and liabilities	16,316,662	-	(93,906)	(35,548)	-	-	-	1,105,472	(82,833)	(10,540)	17,199,307

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

38. Restatement of comparative information (continued)

Effect on consolidated statement of profit or loss and other comprehensive income:

For the year ended 31 December 2021	Previously reported	Restatement -5	Restatement -9	Restatement -10	Restatement -12 (a)	Restatement -12 (b)	Restatement -12 (c)	Restated
Cost of revenue	(482,347)	-	-	-	-	-	(126,787)	(609,134)
Gross loss	(110,268)	-	-	-	-	-	(126,787)	(237,055)
Impairment loss on financial and contract assets	(61,959)	-	(11,979)	2,888	-	15,560	-	(55,490)
Impairment loss on non-financial assets	-	-	-	-	-	(15,560)	-	(15,560)
Depreciation	(180,628)	-	-	-	-	-	126,787	(53,841)
Other operating income	-	-	-	-	90,701	-	-	90,701
Operating loss	(690,373)	-	(11,979)	2,888	90,701	-	-	(608,763)
Other operating income	90,701	-	-	-	(90,701)	-	-	-
Loss before zakat	(796,438)	-	(11,979)	2,888	-	-	-	(805,529)
Loss for the year	(827,438)	-	(11,979)	2,888	-	-	-	(836,529)
Total comprehensive loss for the year	(778,557)	-	(11,979)	2,888	-	-	-	(787,648)
Basic and diluted loss per share attributable to equity holders of the Parent Company (in Saudi Riyals per share)	(0.73)	(0.16)	(0.01)	-	-	-	-	(0.90)

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

38. Restatement of comparative information (continued)

Effect on consolidated statement of changes in equity:

	Previously reported	Restatement - 9	Restatement - 10	Restated
For the year ended 31 December 2021				
Accumulated losses - as at 1 January 2021	(2,668,263)	(82,833)	(10,540)	(2,761,636)
Loss for the year	(827,438)	(11,979)	2,888	(836,529)
Total comprehensive loss for the year	(778,557)	(11,979)	2,888	(787,648)
Accumulated losses - as at 31 December 2021	(3,465,598)	(94,812)	(7,652)	(3,568,062)
Total equity - as at 1 January 2021	5,843,273	(82,833)	(10,540)	5,749,900
Total equity - as at 31 December 2021	7,879,271	(94,812)	(7,652)	7,776,807

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

38. Restatement of comparative information (continued)

Effect on consolidated statement of cash flows:

	Previously reported	Restatement - 3	Restatement - 6	Restatement - 7	Restatement - 8	Restatement - 9	Restatement - 10	Restatement - 12 (b)	Restated
For the year ended 31 December 2021									
Operating activities									
Loss before zakat	(796,438)	-	-	-	-	(11,979)	2,888	-	(805,529)
Impairment loss / (gain) on financial and contract assets	61,959	-	-	-	-	11,979	(2,888)	(15,560)	55,490
Impairment loss on non-financial assets	-	-	-	-	-	-	-	15,560	15,560
Employees' receivable – home ownership scheme	7,743	(407)	-	-	-	-	-	-	7,336
Trade and other payables	95,690	407	-	-	(108,672)	-	-	-	(12,575)
Unbilled revenue – net	444,502	-	-	-	108,672	-	-	-	553,174
Restricted Cash	-	-	-	5,276	-	-	-	-	5,276
Net cash generated from operations	356,807	-	-	5,276	-	-	-	-	362,083
Investing activities									
Increase in restricted cash	-	-	(1,199)	-	-	-	-	-	(1,199)
Net cash generated from investing activities	119,324	-	(1,199)	-	-	-	-	-	118,125
Changes in cash and cash equivalents	173,250	-	(1,199)	5,276	-	-	-	-	177,327
Cash and Cash equivalents at the beginning of the year	174,904	-	(100,000)	(11,798)	-	-	-	-	63,106
Cash and Cash equivalents at the end of the year	348,154	-	(101,199)	(6,522)	-	-	-	-	240,433



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

Notes to the consolidated financial statements for the year ended 31 December 2022

(All amounts in Saudi Riyals thousands unless otherwise stated)

39. Subsequent event

Subsequent to the year ended 31 December 2022, the Group signed a Term Loan Facility with PIF. See Note 1 for details.

40. Approval of the consolidated financial statements

The consolidated financial statements were approved and authorized to issue by the Board of Directors on 30 March 2023.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2023
with
INDEPENDENT AUDITOR'S REPORT

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2023

Index	Page
Independent auditor's report	1 – 6
Consolidated statement of profit or loss and other comprehensive income	7
Consolidated statement of financial position	8 – 9
Consolidated statement of changes in equity	10
Consolidated statement of cash flows	11 – 12
Notes to the consolidated financial statements	13 – 105



KPMG Professional Services

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Commercial Registration No 4030290792

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

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

المركز الرئيسي في الرياض

Independent Auditor's Report

To the Shareholders of Emaar The Economic City

Opinion

We have audited the consolidated financial statements of Emaar The Economic City ("the Company") (and its subsidiaries) ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising material accounting policies and other explanatory information.

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

Basis for Opinion

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

Material uncertainty related to going concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Group incurred a net loss of SR 253 million during the year ended 31 December 2023 and, as of that date, the Group's current liabilities exceeded its current assets by SR 6,777 million. In addition, the Group has not complied with the requirements of covenants related to long-term borrowing facilities, resulting in the borrowings with outstanding balance of SR 2,361 million as at 31 December 2023 being immediately due and payable on demand in accordance with the terms and conditions of the borrowing agreements. The Group's ability to meet its obligations as they fall due and to continue its operations without significant curtailment is therefore highly dependent on the successful execution of management's plans including debt restructuring, obtaining additional funding from shareholders and the sale of properties to generate sufficient cash flows. These events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KPMG Professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia with a paid-up capital of SAR40,000,000 (previously known as "KPMG Al Fozan & Partners Certified Public Accountants") and a non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مساهمة مغفلة، مسجلة في المملكة العربية السعودية، رأسمالها (40,000,000) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي للفرزان وشركاء محاسبين ومراجعين قانونيين"، وهي عضو غير شريك في الشبكة العالمية لفرمات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة الجاهزية محدودة بضمان. جميع الحقوق محفوظة.

Commercial Registration of the headquarters in Riyadh is 1010425494.



Independent Auditor's Report

To the Shareholders of Emaar The Economic City (continued)

Key Audit Matters

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

Revenue recognition

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

The key audit matter	How the matter was addressed in our audit
During the year ended 31 December 2023, the Group recognized total net revenue of SR 1,031 million (2022: SR 363 million). Revenue is a key indicator for measuring performance, and this implies the presence of inherent risks to overstate revenue recognition to increase profitability and earnings. Therefore, revenue recognition was considered a key audit matter in particular consideration of: - estimation of total costs required to meet performance obligations under the contracts with customers. - the analysis of whether the contracts comprise one or more performance obligations; and - determining whether the performance obligations are satisfied over time or at a point in time. Refer to Note 3 to the accompanying consolidated financial statements for the disclosure of critical accounting estimates and judgements, Note 4 to the accompanying consolidated financial statements for the accounting policy relating to the revenue and Note 6 to the accompanying consolidated financial statements for the disclosure related to revenue.	Our audit procedures in this area included, among others: - Obtained an understanding of the process and key controls surrounding the revenue recognition process. - Performed walkthroughs and testing of relevant key controls to determine whether they were designed, implemented and operated effectively throughout the year. - Assessed the contracts on a sample basis for the sale of properties and plots of land to identify the performance obligations of the Group under these contracts and assessed whether these performance obligations are satisfied over time or at a point in time, based on relevant accounting standards. - On a sample basis, we assessed the appropriateness of percentage of the completion of the construction of properties by reference to costs incurred to date compared to the estimated total cost, where the performance obligation is satisfied over time. - Inspected supporting documents, on a sample basis, to determine whether estimation of total costs and costs incurred to date on developments are recorded appropriately. - Recalculated the revenue, on a sample basis, using the input method and compared it with the calculation performed by the Group. - Assessed the appropriateness of the Group's revenue recognition accounting policies for recognizing revenue on sale of properties and the related disclosures in the consolidated financial statements.



Independent Auditor's Report

To the Shareholders of Emaar The Economic City (continued)

Impairment assessment of property and equipment and investment properties

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

The key audit matter	How the matter was addressed in our audit
The Group has property and equipment and investment properties amounting to SR 4,917 million and SR 4,619 million, respectively, as at 31 December 2023 which represents significant balances in the Group's consolidated statement of financial position as of that date. The Group assesses indicators of impairment on its property and equipment and investment properties on an ongoing basis. For the purpose of the consolidated financial statements for the year ended 31 December 2023, management identified the negative operating cash flows and higher than budgeted operating losses as impairment indicators and, accordingly, performed an impairment assessment of property and equipment and investment properties as at 31 December 2023. We have considered this as a key audit matter as the evaluation of impairment indicators involves significant assumptions and estimates. Any variation in the estimation/ assumptions could have a material impact on the consolidated financial statements. As part of its assessment, the Group considers indicators including but not limited to, expected net cash flows from the identified Cash Generating Units (CGUs), current market conditions and other performance indicators. In addition to the above, the Group involves third party valuers to carry out valuations for its property and equipment and investment properties, to assess the fair value of its property and equipment and investment properties. Refer to Note 3 to the accompanying consolidated financial statements for the disclosure of critical accounting estimates and judgements, Note 4 to the accompanying consolidated financial statements for the accounting policy relating to impairment of non-current assets and Notes 13 & 15 to the accompanying consolidated financial statements for the disclosure related to property and equipment and investment properties, respectively.	Our audit procedures in this area included, among others: • Obtained an understanding of the process of identifying impairment indicators and tested design and implementation of key internal controls. • Assessed the appropriateness of the identification of the CGU for which the impairment assessment was performed by considering relevant standard requirements. • Involved our own valuation specialists to assess Groups' impairment assessment, including assessing methodology applied by the valuer and reasonableness of key underlying assumptions used by the valuer and the Group. • Assessed the accuracy of the input data used by management to assess fair values of its property and equipment and investment properties. • Assessed the qualifications and expertise of the third party valuers, involved in the valuation of investment properties and property and equipment and inspected the terms of their engagement to determine whether there were any matters that might have impacted their objectivity. • Assessed the appropriateness of the Group's accounting policies for impairment and the related disclosures in the consolidated financial statements.



Independent Auditor's Report

To the Shareholders of Emaar The Economic City (continued)

Valuation of development properties

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

The key audit matter	How the matter was addressed in our audit
The Group holds development properties amounting to SR 1,322 million as at 31 December 2023. Development properties are carried at the lower of cost and net realisable value ("NRV") and principally include completed and under development residential units and free-hold land parcels. The Group estimates NRV as the estimated selling price in the ordinary course of business less estimated costs to complete and estimated cost to make the sale. For the purpose of estimating the NRV, management engaged professionally qualified external valuer (the "Valuer") licensed by the Saudi Authority for Accredited Valuers and performed their work in accordance with the International Valuation Standards Council (IVSC) as well as the regulations issued by the Saudi Authority for Accredited Valuers (TAQEEM). Furthermore, management has also performed an assessment of estimating the future selling price with reference to recent sales transactions of comparable properties. The valuation of the Group's development properties, for the purpose of NRV, is inherently subjective due to, among other factors, the individual nature of each property, its location and comparable selling prices. We considered this to be a key audit matter because the significance of the estimates and judgements involved in determining the NRV of development properties, such as the Group's estimate of the sales price, warrants specific audit focus in this area as any significant change in this estimate, could have a material impact on the carrying value of the Group's development properties. Refer to Note 3 to the accompanying consolidated financial statements for the disclosure of critical accounting estimates and judgements, Note 4 to the accompanying consolidated financial statements for the accounting policy relating to development properties and Note 18 to the accompanying consolidated financial statements for the disclosure of other related financial information.	Our audit procedures in this area included, among others: - Obtained an understanding of the valuation process and tested design and implementation of key internal controls. - Assessed the competence, capabilities and objectivity of the Valuer engaged by management. - Involved our own valuation specialist who performed the following procedures: - Assessed the methodology applied by the Valuer to ensure the valuation approach used and methodology adopted by the Valuer is appropriate for determining the NRV of development properties for the purpose of the consolidated financial statements; - Assessed the reasonableness of key underlying assumptions used by the Valuer and the Group. - Evaluated the reasonableness of the Group's estimated sales prices, estimated costs to complete and estimated costs to make the sale through a combination of management discussions and inspection of supporting documents. - Assessed the adequacy and appropriateness of the related disclosures in the accompanying consolidated financial statements.



Independent Auditor's Report

To the Shareholders of Emaar The Economic City (continued)

Other Matter

The consolidated financial statements for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those financial statements on 9 April 2023 (18 Ramadan 1444H).

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

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



Independent Auditor's Report

To the Shareholders of Emaar The Economic City (continued)

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

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

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

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

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

KPMG Professional Services



Ebrahim Oboud Baeshen
License No. 382



Jeddah, 4 April 2024
Corresponding to 25 Ramadan 1445H

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

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

	Notes	2023	2022
Revenue	6	1,031,357	363,267
Cost of revenue	7	(599,725)	(594,863)
Gross profit / (loss)		431,632	(231,596)
Selling and marketing expenses	8	(45,429)	(61,748)
General and administrative expenses	9	(322,164)	(463,636)
Impairment loss on financial and contract assets	19, 20	(19,115)	(63,033)
Other operating income	11	177,569	8,985
Amortization of unearned interest		20,245	16,501
Operating profit / (loss)		242,738	(794,527)
Financial income		2,110	1,891
Fair value gain on derivative financial liability	25(g)	29,043	--
Financial charges	10	(483,847)	(290,192)
Share of profit of equity accounted investee	17	1,736	25,046
Loss before zakat		(208,220)	(1,057,782)
Zakat	30	(45,000)	(99,508)
Loss for the year		(253,220)	(1,157,290)
Other comprehensive income:			
<i>Items that will be reclassified to profit or loss in subsequent periods:</i>			
Share of other comprehensive income of equity accounted investee	17	2,169	28,651
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>			
Re-measurement gain on defined benefit obligations	27	2,522	6,609
Other comprehensive income for the year		4,691	35,260
Total comprehensive loss for the year		(248,529)	(1,122,030)
Loss per share:			
Basic and diluted loss per share attributable to equity holders of the Parent Company (in SR per share)	12	(0.22)	(1.02)


Chairman Board of Directors


Chief Executive Officer


Chief Financial Officer

The attached notes 1 to 41 form part of these consolidated financial statements.

EMAAR THE ECONOMIC CITY
 (A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

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

	Notes	31 December 2023	31 December 2022
ASSETS			
Non-current assets			
Property and equipment	13	4,917,219	5,064,924
Right-of-use assets	14	54,784	57,291
Investment properties	15	4,619,250	4,739,035
Intangible assets	16	3,664	4,275
Investment in equity accounted investees	17	2,837,368	2,586,740
Development properties	18	482,287	565,935
Unbilled revenue	20	285,260	588,849
Employees' receivable - home ownership scheme	22	57,765	60,123
Restricted cash	21	51	45,389
Total non-current assets		13,257,648	13,712,561
Current assets			
Development properties	18	839,341	820,802
Unbilled revenue	20	283,587	154,676
Current portion of employees' receivable - home ownership scheme	22	3,473	3,858
Trade receivables and other current assets	19	583,183	410,460
Restricted cash – current portion	21	3,354	6,333
Cash and cash equivalents	21	179,077	82,141
Total current assets		1,892,015	1,478,270
Total assets		15,149,663	15,190,831
EQUITY AND LIABILITIES			
Equity			
Share capital	23	11,333,333	11,333,333
Statutory reserve	24	11,536	11,536
Accumulated losses		(4,938,621)	(4,690,092)
Total equity		6,406,248	6,654,777
Non-current liabilities			
Loans and borrowings	25	–	76,917
Lease liabilities	14	32,794	25,815
Employee benefit obligations	27	41,630	40,841
Total non-current liabilities		74,424	143,573


 Chairman Board of Directors


 Chief Executive Officer


 Chief Financial Officer

The attached notes 1 to 41 form part of these consolidated financial statements.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2023

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

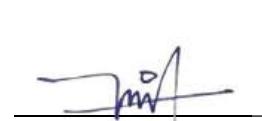
	<u>Notes</u>	31 December 2023	31 December <u>2022</u>
Current liabilities			
Lease liabilities - current portion	14	56,212	55,448
Loans and borrowings - current portion	25	6,747,091	5,962,373
Short-term borrowings	26	152,429	201,765
Trade and other payables	28	725,360	807,546
Contract liabilities	29	712,349	986,638
Other provisions	32	24,812	163,253
Zakat provision	30	250,738	215,458
Total current liabilities		8,668,991	8,392,481
Total liabilities		8,743,415	8,536,054
Total equity and liabilities		15,149,663	15,190,831



Chairman Board of Directors



Chief Executive Officer



Chief Financial Officer

The attached notes 1 to 41 form part of these consolidated financial statements.

EMAAR THE ECONOMIC CITY
 (A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

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

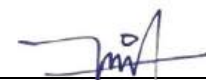
	<u>Share Capital</u>	<u>Statutory reserve</u>	<u>Accumulated losses</u>	<u>Total equity</u>
Balance as at 1 January 2022	11,333,333	11,536	(3,568,062)	7,776,807
Loss for the year	--	--	(1,157,290)	(1,157,290)
Other comprehensive income for the year	--	--	35,260	35,260
Total comprehensive loss for the year	--	--	(1,122,030)	(1,122,030)
Balance as at 31 December 2022	11,333,333	11,536	(4,690,092)	6,654,777
Balance as at 1 January 2023	11,333,333	11,536	(4,690,092)	6,654,777
Loss for the year	--	--	(253,220)	(253,220)
Other comprehensive income for the year	--	--	4,691	4,691
Total comprehensive loss for the year	--	--	(248,529)	(248,529)
Balance as at 31 December 2023	11,333,333	11,536	(4,938,621)	6,406,248



Chairman Board of Directors



Chief Executive Officer



Chief Financial Officer

The attached notes 1 to 41 form part of these consolidated financial statements.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

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

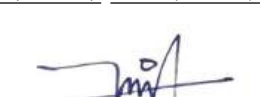
	Notes	2023	2022
OPERATING ACTIVITIES			
Loss before zakat		(208,220)	(1,057,782)
<u>Adjustments for:</u>			
Depreciation on property and equipment	13	193,971	228,950
Depreciation on investment properties	15	50,796	39,169
Depreciation on right-of-use assets	14	11,118	10,410
Impairment loss on financial and contract assets	19, 20	19,115	63,033
Amortization	16	685	1,865
Financial charges	10	483,847	290,192
Share of results of equity accounted investees	17	(1,736)	(25,046)
Financial income		(2,110)	(1,891)
Interest income on unwinding of unbilled revenue		(14,041)	(480)
Fair value gain on derivative financial liability		(29,043)	--
Gain on contribution of land to Albilad Tourism Fund - Equity investment		(32,150)	--
Gain on disposal of investment properties	11	(77,768)	(7,876)
Write down of development properties		--	409
Impairment reversal on investment properties	15	(2,546)	(11,853)
Impairment on property and equipment	13	--	26,069
Impairment on investment properties	15	--	32,917
Capital work in progress write-off	13	5,529	46,523
Interest income on unwinding of employees' receivable – home ownership scheme		(6,204)	(4,352)
Provision for employees benefit obligations	27	11,992	13,581
Gain on disposal of property and equipment	11	(3,010)	--
Impairment reversal on development properties	18	(6,770)	--
Reversal of provision no longer required	11	(44,200)	--
		349,255	(356,162)
<u>Changes in operating assets and liabilities:</u>			
Development properties		131,451	48,890
Employees' receivable – home ownership scheme		8,948	20,168
Unbilled revenue		188,719	400,522
Trade receivables and other current assets		(176,705)	98,171
Contract liabilities		(274,289)	(154,578)
Trade and other payables		(292,007)	(205,688)
Other provisions		(108,519)	163,253
Restricted cash balances received		48,316	189
Addition to right-of-use assets		(8,611)	--
Cash (used in) / generated from operations		(133,442)	14,765
Financial charges paid on loan and borrowings		(192,914)	(197,957)
Financial charges paid on lease liabilities	14.2	--	(2,153)
Zakat paid	30	(9,720)	(32,574)
Employee benefit obligations paid	27	(8,681)	(9,502)
Net cash used in operating activities		(344,757)	(227,421)



 Chairman Board of Directors



 Chief Executive Officer



 Chief Financial Officer

The attached notes 1 to 41 form part of these consolidated financial statements.

EMAAR THE ECONOMIC CITY

(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the year ended 31 December 2023

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

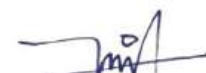
	Notes	2023	2022
INVESTING ACTIVITIES			
Investment in short-term deposits		--	(80,112)
Proceeds from maturity of short-term deposits		--	80,112
Additions to property and equipment	13	(53,785)	(1,474)
Additions to investment properties	15	(1,037)	(8,176)
Financial income		2,110	1,891
Proceeds from sale of investment properties		90,767	29,216
Restricted cash balances received		--	55,810
Additions to intangible assets	16	(74)	(1,710)
Proceeds from sale of property and equipment		5,000	--
Net cash generated from investing activities		42,981	75,557
FINANCING ACTIVITIES			
Proceeds from loans and borrowings	25	450,000	148,303
Repayments of loans and borrowings	26	(51,288)	(154,433)
Principal element of lease repayments	14.2	--	(298)
Net cash generated from / (used in) financing activities		398,712	(6,428)
Net increase/(decrease) in cash and cash equivalents		96,936	(158,292)
Cash and cash equivalents at the beginning of the year		82,141	240,433
Cash and cash equivalents at the end of the year	21	179,077	82,141
Non-cash supplementary information	35		



Chairman Board of Directors



Chief Executive Officer



Chief Financial Officer

The attached notes 1 to 41 form part of these consolidated financial statements.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

1. GENERAL INFORMATION

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

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

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

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

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

<u>Name</u>	<u>Country of incorporation</u>	<u>Year of incorporation</u>	<u>Effective ownership percentage as at 31 December (directly or indirectly)</u>		<u>Nature of activities</u>
			<u>2023</u>	<u>2022</u>	
Economic Cities Investments Company Limited (“ECIC”)	Kingdom of Saudi Arabia	2010	100%	100%	Buying, selling and management of real estate properties and operations of educational and technical institutions.
Industrial Zones Development Company Limited (“IZDCL”)	Kingdom of Saudi Arabia	2011	100%	100%	Sale/lease, investment, development of real estate development in industrial valley in KAEC.

EMAAR THE ECONOMIC CITY
 (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

1. GENERAL INFORMATION (continued)

<u>Name</u>	<u>Country of incorporation</u>	<u>Year of incorporation</u>	<u>Effective ownership percentage as at 31 December (directly or indirectly)</u>		<u>Nature of activities</u>
			<u>2023</u>	<u>2022</u>	
Economic Cities Real Estate Properties Operation and Management Company ("REOM")	Kingdom of Saudi Arabia	2013	100%	100%	Own, purchase, sale, invest, and lease of commercial properties.
Economic Cities Pioneer Real Estate Management Company ("REM")	Kingdom of Saudi Arabia	2013	100%	100%	Construction, management, development, operation, lease of residential properties. Own, purchase, sale, investment, development and marketing of real estate development in KAEC.
Economic Cities Real Estate Development Company ("RED")	Kingdom of Saudi Arabia	2013	100%	100%	
Emaar Knowledge Company Limited ("EKC")	Kingdom of Saudi Arabia	2015	100%	100%	Construct and operate business educational institute in KAEC.

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

Going Concern

The Group incurred a net loss of SR 253 million during the year ended 31 December 2023 (31 December 2022: loss of SR 1,157 million) and as of that date its current liabilities exceeded its current assets by SR 6,777 million (31 December 2022: current liabilities exceed current assets by SR 6,914 million). Furthermore, as of 31 December 2023, the Group had accumulated losses amounting to SR 4,939 million (31 December 2022: accumulated losses amounted to SR 4,690 million). In addition to this, the Group has not complied with the requirements of covenants related to long-term borrowing facilities during the year ended 31 December 2023, resulting in borrowings with outstanding balance of SR 2,361 million (also see Note 25) as at 31 December 2023 (31 December 2022: SR 2,777.5 million) being immediately due and payable on demand in accordance with the terms and conditions of the borrowing agreements. These conditions, along with certain other events as disclosed in the subsequent paragraphs, indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

EMAAR THE ECONOMIC CITY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

1. GENERAL INFORMATION (continued)

Going Concern (continued)

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

a) Industrial Valley and Special Economic Zone (SEZ)

KAEC’s Industrial Valley (“IV”) is considered one of the most sought-after industrial and logistics destinations in the country benefiting from the close proximity to the King Abdullah Port (“KAP” or the “Port”), one of the largest and most advanced seaports in the region.

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

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

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

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

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

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

EMAAR THE ECONOMIC CITY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

1. GENERAL INFORMATION (continued)

Going Concern (continued)

b) Non-Industrial Sector Development

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

c) Tourism

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

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

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

The Group has signed a framework cooperation agreement with the Tourism Development Fund, "FTG Development Company", Albilad Investment Company and "Ekofine Holding BV" to establish a SR 1.8 billion closed end private investment fund ("Fund"). The Fund will be responsible to develop and operate a five-star comprehensive resort and hotel with a water park and luxury overwater villas under the brand of Rixos, one of the trademarks owned by Accor International. The Rixos Emerald Shores project is one of the largest tourist resorts targeted to be established in KAEC and is unique in the Kingdom of Saudi Arabia as it is planned that the resort will be constructed on a land.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

1. GENERAL INFORMATION (continued)

Going concern plan

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

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

As at 31 December 2023	Within 1 year	1-2 years	2-5 years	Over 5 years	Total contractual cash flows
Loans and borrowings	6,747,091	--	--	--	6,747,091
Trade and other payables	725,360	--	--	--	725,360
Short term borrowings	152,429	--	--	--	152,429
Lease liabilities	58,018	12,038	23,668	--	93,724
Total	7,682,898	12,038	23,668	--	7,718,604

In assessing the appropriateness of applying the going concern basis in the preparation of these consolidated financial statements, the Group's management has developed a plan which covers a period of at least twelve-months from 31 December 2023 to enable the Group to meet both its obligations as they become due and to continue its operations, without significant curtailment, as a going concern in both the short and long term.

Management has concluded that the Group will not be able to fully satisfy its cash requirements from the sale of properties alone and, accordingly, in such a scenario, the Group has already initiated discussions to restructure its borrowing facilities, which are elaborated below.

The plan comprises the Group's liquidity and forecasts cash flows taking into account reasonably possible outcomes over a fifteen-month period from 31 December 2023. As per the forecasted cash flows, management expects that there will be no loan repayment in the next 15 months. The Group has a Board approved business transformation plan and expects that it will be able to restructure all of its loan agreements after submission of this plans to the lenders.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

1. GENERAL INFORMATION (continued)

Going concern plan (continued)

This plan principally includes:

<u>Plan</u>	<u>Description</u>	<u>Amount (SR)</u>	<u>Details</u>
Debt restructuring	Loan due to Ministry of Finance ("MoF") - Note 25	2,720 million	The Group is in discussion with the MoF to finalise a restructuring agreement to defer the repayment of the loan obligation amounting to SR 2,720 million, to be payable starting from June 2024, in six equal annual instalments, including interest due of SR 553.2 million classified under current liabilities. The Group has received an approval from the MoF, conditional upon signing of amendment to the original MoF loan agreement (which is under process as of 31 December 2023), wherein the MoF approved conversion of accrued interest, amounting to SR 553.2 million, as principal outstanding and deferral of the obligation, amounting to SR 2,720 million, with repayments starting from June 2024. Such conditional approval for conversion of SR 189 million (which is included in SR 553.2 million) was received during the year ended 31 December 2023.
Debt restructuring	Loan due to local banks - Note 25	3,476.1 million	The Group's obligations against lenders and banks carry financial covenants in respect of loans amounting to SR 3,476.1 million, disclosed in Note 25. During 2022, the Group did not comply with the requirements of covenants relating to long-term borrowing facilities. This position is unchanged in 2023. Consequently, the management has classified the outstanding obligation under current liabilities as at 31 December 2023. The Group has prepared a detailed business transformation plan and expects that it will be able to restructure all of its loan agreements after submission of the business transformation plan to the lenders. However, in the intervening period, the Group has applied for support from all of the commercial banks, during which the Group has requested the commercial banks to postpone the principal repayments of the existing borrowing facilities. The unused balance of the short-term borrowings facility as at 31 December 2023 amounted to SR 126.5 million (31 December 2022: SR 98.71 million).

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

1. GENERAL INFORMATION (continued)

Going concern plan (continued)

<u>Plan</u>	<u>Description</u>	<u>Amount (SR)</u>	<u>Details</u>
Additional financing	Loan from Public Investment Fund ("PIF") - Note 25	1,000 million	During February 2023, the Group signed a Term Loan Facility with one of its substantial shareholders, PIF, for up to SR 1,000 million to be repaid after 18 months through a single bullet payment at maturity. Financial costs on the facility is based on SIBOR + spread. The loan contains a conversion option to equity, exercisable by PIF, subject to certain required approvals under the applicable laws and regulations. The loan is secured against certain real estate assets within KAEC. The loan facility will be used to finance specific critical expenses including strategic capital expenditures. As at 31 December 2023, management has drawn down SR 450 million from this facility. Subsequent to year ended 31 December 2023, the Group draw down SR 300 million and expects to draw down remaining amount of SR 250 million from this facility during 2024.

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

EMAAR THE ECONOMIC CITY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

2. BASIS OF PREPARATION (continued)

2.3 Functional and presentation currency

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

3.1 Judgements

Satisfaction of performance obligations

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

Classification of development property and operating cycle

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

Going Concern

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

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.1 Judgements (continued)

Classification of infrastructure assets

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

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

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

a) Rights to the infrastructure assets

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

b) Potential to produce economic benefit

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

c) Control

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

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

3.2 Estimations and assumptions

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

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

EMAAR THE ECONOMIC CITY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)
3.2 Estimations and assumptions (continued)

An increase or decrease of 10% in the loss rates (PD and LGDs) assuming macro-economic factors remain the same, will result in an increase or a decrease of SR 50.46 million, respectively, in the ECL allowance.

Useful lives of property and equipment and investment properties

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

Cost to complete the projects

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

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

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

Estimation of net realisable value of development properties

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

4. MATERIAL ACCOUNTING POLICIES

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

In addition, the Group adopted the Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments require the disclosure of 'material' rather than 'significant' accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in certain instances.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

4. MATERIAL ACCOUNTING POLICIES (continued)

4.1 Basis of Consolidation

(a) Subsidiaries

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

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

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

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

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

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

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

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;

EMAAR THE ECONOMIC CITY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

4. MATERIAL ACCOUNTING POLICIES (continued)

4.1 Basis of Consolidation (continued)

- Recognises the fair value of any investment retained;
- Recognises any surplus on statement of profit or loss and other comprehensive income; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

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

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

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

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

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

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

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

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

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

4. MATERIAL ACCOUNTING POLICIES (continued)

4.1 Basis of Consolidation (continued)

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

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

4.2 Current versus non-current classification

Assets

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

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

All other assets are classified as non-current.

Liabilities

A liability is current when:

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

The Group classifies all other liabilities as non-current.

4.3 Revenue recognition

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

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

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

EMAAR THE ECONOMIC CITY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

4. MATERIAL ACCOUNTING POLICIES (continued)

4.3 Revenue recognition (continued)

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

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

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

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

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

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

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

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2023
(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

4. MATERIAL ACCOUNTING POLICIES (continued)

4.3 Revenue recognition (continued)

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

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

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

Sale of development properties

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

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

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

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

Rental income

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

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

4. MATERIAL ACCOUNTING POLICIES (continued)

4.3 Revenue recognition (continued)

Service revenue

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

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

Hospitality and leisure revenue

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

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

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

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

Education revenue

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

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

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

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

Significant financing component

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

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

4. MATERIAL ACCOUNTING POLICIES (continued)

4.4 Cost of revenue

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

4.5 Selling, marketing and general and administrative expenses

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

4.6 Zakat and taxes

Zakat

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

Withholding tax

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

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

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

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

EMAAR THE ECONOMIC CITY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

4. MATERIAL ACCOUNTING POLICIES (continued)
4.7 Financial income and financial costs

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

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

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

4.8 Foreign currencies
Functional and presentational currency

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

Transactions and balances

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

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

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2023
(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

4. MATERIAL ACCOUNTING POLICIES (continued)

4.9 Property and equipment

Recognition and measurement

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

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

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

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

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

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

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

EMAAR THE ECONOMIC CITY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

4. MATERIAL ACCOUNTING POLICIES (continued)

4.9 Property and equipment (continued)

Depreciation

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

Capital work-in-progress (CWIP)

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

4.10 Leases

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

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

Group as a lessee

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

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

4. MATERIAL ACCOUNTING POLICIES (continued)

4.10 Leases (continued)

Right-of-use assets:

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

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

Lease liabilities:

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

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

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

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

4. MATERIAL ACCOUNTING POLICIES (continued)

4.10 Leases (continued)

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

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

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

Group as a lessor

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

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

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

4. MATERIAL ACCOUNTING POLICIES (continued)

4.11 Borrowing costs

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

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

4.12 Investment properties

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

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

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

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

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

EMAAR THE ECONOMIC CITY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

4. MATERIAL ACCOUNTING POLICIES (continued)

4.12 Investment properties (continued)

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

4.13 Trade receivables

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

4.14 Impairment of non-financial assets other than development properties

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

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

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

4.15 Development properties

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

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

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

4. MATERIAL ACCOUNTING POLICIES (continued)

4.15 Development properties (continued)

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

4.16 Financial instruments

Initial recognition – Financial assets and financial liabilities

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

Financial assets

Initial Measurement

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

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

Classification and subsequent measurement

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

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

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

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

Financial assets measured at amortized cost

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

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

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

EMAAR THE ECONOMIC CITY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

4. MATERIAL ACCOUNTING POLICIES (continued)

4.16 Financial instruments (continued)

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

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

Reclassification

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

De-recognition

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

Impairment of financial assets

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

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

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

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

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

4. MATERIAL ACCOUNTING POLICIES (continued)

4.16 Financial instruments (continued)

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

A default on trade receivable occurs when the counterparty fails to make contractual payments within 90 days when they fall due.

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

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of financial assets have occurred.

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

- significant financial difficulty of the debtor;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganizations; or the disappearance of an active market for a security because of financial difficulties.

Financial liabilities

Initial measurement

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

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

Classification and subsequent measurement

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

- financial liabilities at fair value through consolidated statement of profit or loss and other comprehensive income.
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.
- financial guarantee contracts.
- commitments to provide a loan at a below-market commission rate.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

4. MATERIAL ACCOUNTING POLICIES (continued)

4.16 Financial instruments (continued)

Classification and subsequent measurement (continued)

- contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies. Such contingent consideration shall subsequently be measured at fair value with changes recognized in consolidated statement of profit or loss and other comprehensive income.

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

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

Reclassification

The Group cannot reclassify any financial liability.

Derecognition

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

Financial guarantee contracts

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

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

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

4.17 Offsetting of financial instruments

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

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

4. MATERIAL ACCOUNTING POLICIES (continued)

4.18 Borrowings

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

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

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

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

4.19 Provisions

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

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

EMAAR THE ECONOMIC CITY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

4. MATERIAL ACCOUNTING POLICIES (continued)
4.19 Provisions (continued)

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

4.20 Employee benefits
Short-term employee benefits

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

Defined benefit plans

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

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

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

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

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

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

4.21 Share capital

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

4.22 Restricted cash

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

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2023
(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

4. MATERIAL ACCOUNTING POLICIES (continued)

4.23 Cash and cash equivalents

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

4.24 Segment reporting

An operating segment is a component of an entity:

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

For further details of business segments, refer Note 34.

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

5. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

New and amended standards adopted by the Group

Several amendments and interpretations apply for the first time in 2023, which are effective for annual periods beginning on or after 1 January 2023 which do not have a material effect on these consolidated financial statements except for amendments to IAS 1 "Disclosure of Accounting Policies" the effect of which have been reflected in these consolidated financial statements.

The group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2023:

<u>Standard / Interpretation</u>	<u>Description</u>
IFRS 17	Insurance contracts
IAS 1	Classification of liabilities as current or non-current (amendments to IAS 1)
IAS 8	Definition of Accounting Estimate – Amendment
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
IAS 12	International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12
IAS 1 and IFRS	
Practice Statement 2	Disclosure of Accounting Policies

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

EMAAR THE ECONOMIC CITY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

5. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS (continued)
Standards, interpretations and amendments issued but not yet effective

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

<u>Standard / Interpretation</u>	<u>Description</u>	<i>Effective from periods beginning on or after the following date</i>
IFRS 16	Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	January 1, 2024
IAS 1	Classification of liabilities as current or non-current (amendments to IAS 1)	January 1, 2024
IAS 1	Non-current liabilities with covenants (amendments to IAS 1)	January 1, 2024
IAS 7 and IFR 7	Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)	January 1, 2024
IAS 21	Lack of Exchangeability (Amendments to IAS 21)	January 1, 2025
IFRS 10 and IAS 28	Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	Available for optional adoption / effective date deferred indefinitely

6. REVENUE

	31 December <u>2023</u>	31 December <u>2022</u>
Revenue from contracts with customers:		
Sale of development properties (***)	718,716	38,454
Utilities and other related services ("City operations")	117,130	129,843
Accommodation	53,238	61,850
Tuition and other fees ("Education")	56,584	42,478
Food and beverages and other related services	17,208	22,491
Leisure services	10,831	7,036
Total	973,707	302,152
Timing of revenue recognition		
Over time	954,378	276,248
Point-in-time (*)	19,329	25,904
Revenue from contract with customers	973,707	302,152
Lease rental income		
Industrial	47,827	50,293
Residential	9,823	10,822
Total lease rental income	57,650	61,115
Total revenue (**)	1,031,357	363,267

(*) Revenue from point-in-time includes food and beverage services amounting to SR 17.21 million and leisure services amounting to SR 2.12 million.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

6. REVENUE (continued)

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

(***) The amount of revenue recognized in 2023 from performance obligation satisfied (or partially satisfied) in previous years is SR 263 million (31 December 2022: SR Nil). This is mainly due to change in the estimate of the total estimated cost.

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

7. COST OF REVENUE

	Notes	31 December 2023	31 December 2022
Depreciation	7.2	230,255	239,401
Cost of development properties sold		128,137	46,394
Salaries, wages and benefits		85,169	94,422
Maintenance		73,044	83,061
Refurbishment cost		35,603	4,014
Impairment loss on non-financial assets	7.1	—	58,986
Utilities		23,101	25,832
Hospitality		16,144	22,255
(Reversal)/write down of development properties	18	(6,770)	409
Others		15,042	20,089
		599,725	594,863

7.1 Refer Notes 13 and 15 for details related to impairment on non-financial assets.

7.2 Depreciation expense for the year ended 31 December 2022 includes an amount of SR 14 million, reclassified from the face of consolidated statement of profit or loss and other comprehensive income for better presentation purposes.

8. SELLING AND MARKETING EXPENSES

	31 December 2023	31 December 2022
Promotional expenses	14,549	29,165
Salaries and benefits	22,577	25,042
Branding and marketing costs	2,906	3,663
Advertising costs	2,143	715
Others	3,254	3,163
	45,429	61,748

EMAAR THE ECONOMIC CITY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

9. GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2023	31 December 2022
Salaries and benefits	174,324	181,410
Professional and legal charges	85,820	205,390
Communication and office costs	14,702	18,546
Facility and city management services	6,766	3,736
Repairs and maintenance	3,199	2,694
Depreciation (note 9.1)	25,630	39,138
Amortization	685	1,865
Others	11,038	10,857
	322,164	463,636

9.1 Depreciation expense for the year ended 31 December 2022 is reclassified from the face of consolidated statement of profit or loss and other comprehensive income for better presentation purposes.

10. FINANCIAL CHARGES

	31 December 2023	31 December 2022
Financial charges on loans and borrowings	478,465	283,839
Financial charges on leases	2,136	2,153
Bank charges	3,246	4,200
	483,847	290,192

11. OTHER OPERATING INCOME

	31 December 2023	31 December 2022
Donation income (see note (11.1) below)	37,500	--
Gain on disposal of investment properties (see note (11.2) below)	77,768	7,876
Gain on disposal of property and equipment	3,010	--
Reversal of provision no longer required (See note 11.3)	44,200	--
Others (See note 11.4)	15,091	1,109
	177,569	8,985

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

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

11. OTHER OPERATING INCOME (continued)

11.2 During the year, the Group has entered into agreements with certain customers for the sale of investment properties resulting in a gain of SR 77.8 million (31 December 2022: SR 7.9 million).

11.3 This mainly includes excess provision reversed amounting to SR 24.3 on account of other payables (refer note 32) (31 December 2022: SR Nil).

11.4 This mainly includes income of SR 13 million recorded due to cancellation of a sales contract resulting in the forfeiture of the collected amount.

12. LOSS PER SHARE

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

The loss per share calculation is given below:

	31 December 2023	31 December 2022
Loss attributable to ordinary equity holders of the parent	(253,220)	(1,157,290)
Weighted average number of ordinary shares ('000)	1,133,333	1,133,333
Loss per share (SR) – Basic and diluted	(0.22)	(1.02)

The Company does not have any dilutive potential share and therefore diluted loss per share is the same as basic loss per share. During the current year, the Group has entered into an arrangement with one of its shareholders, granting the option to purchase shares at a price not exceeding SR 10 per share. This arrangement is deemed antidilutive and therefore has not been factored into the calculation of Loss Per Share (LPS).

EMAAR THE ECONOMIC CITY
 (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

13. PROPERTY AND EQUIPMENT

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

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

	Freehold land	Buildings	Heavy equipment & machinery	Furniture & fixtures	Office equipment	Motor vehicles	Infrastructure assets	Capital work in progress (CWIP)	Total 2023
Cost:									
At the beginning of the year	135,283	1,677,391	92,699	161,906	106,592	15,431	3,213,345	1,679,141	7,081,788
Additions	--	3,874	641	--	474	--	--	48,796	53,785
Write-off (note 13.4)	--	--	--	--	--	--	--	(5,529)	(5,529)
Disposal	--	--	--	--	--	--	(2,502)	--	(2,502)
At the end of the year	135,283	1,681,265	93,340	161,906	107,066	15,431	3,210,843	1,722,408	7,127,542
Accumulated depreciation and impairment:									
At the beginning of the year	--	662,152	70,746	161,906	100,173	15,431	995,874	10,582	2,016,864
Depreciation charge for the year	--	72,633	3,761	--	707	--	116,870	--	193,971
Disposal	--	--	--	--	--	--	(512)	--	(512)
Impairment charge for the year (note (13.5 and 13.7) below)	--	--	--	--	--	--	--	--	--
At the end of the year	--	734,785	74,507	161,906	100,880	15,431	1,112,232	10,582	2,210,323
Net book value:									
At 31 December 2023	135,283	946,480	18,833	--	6,186	--	2,098,611	1,711,826	4,917,219

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

13. PROPERTY AND EQUIPMENT (continued)

	Freehold land	Buildings	Heavy equipment & machinery	Furniture & fixtures	Office equipment	Motor vehicles	Infrastructure assets	Capital work in progress (CWIP)	Total 2022
Cost:									
At the beginning of the year	135,283	1,605,840	92,673	161,229	106,033	15,431	3,189,975	1,820,373	7,126,837
Additions	--	199	26	677	572	--	--	--	1,474
Transfers	--	71,352	--	--	--	--	23,370	(94,722)	--
Write-off (note 13.4)	--	--	--	--	(13)	--	--	(46,510)	(46,523)
At the end of the year	135,283	1,677,391	92,699	161,906	106,592	15,431	3,213,345	1,679,141	7,081,788
Accumulated depreciation and impairment									
At the beginning of the year	--	554,609	65,300	153,796	96,894	15,431	875,815	--	1,761,845
Charge for the year	--	92,056	5,446	8,110	3,279	--	120,059	--	228,950
Impairment charge for the year	--	15,487	--	--	--	--	--	10,582	26,069
At the end of the year	--	662,152	70,746	161,906	100,173	15,431	995,874	10,582	2,016,864
Net book value:									
At 31 December 2022	135,283	1,015,239	21,953	--	6,419	--	2,217,471	1,668,559	5,064,924

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

	31 December 2023	31 December 2022
Cost of revenue	169,768	176,448
General and administrative expenses	24,203	52,502
	193,971	228,950

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

13.3 Freehold land amounting to SR 135 million (2022: SR 135 million), mainly relates to infrastructure and operating assets.

EMAAR THE ECONOMIC CITY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

13. PROPERTY AND EQUIPMENT (continued)

13.4 Capital work in progress mainly represents construction costs in respect of the infrastructure and other projects at the KAEC. During the year ended 31 December 2023, the Group has written-off certain items in capital work in progress, which are no longer required for use amounting to SR 5.5 million (31 December 2022: SR 46.5 million).

13.5 The Group has recognised an impairment loss and it has been allocated as follows:

	31 December 2023	31 December 2022
Cost of revenues	--	26,069
Operating expenses	--	--
	<u> </u>	<u> </u>
	--	26,069

13.6 During the years ended 31 December 2023 and 2022, no borrowing cost was capitalized.

13.7 Impairment:

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

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

- For certain CGUs by assessing the fair value less cost of disposal (FVLCD) of the underlying assets. The valuation is considered to be Level 3 in the fair value hierarchy due to unobservable inputs used in the valuation.
- For properties where fair value is lower than carrying amount for those CGUs value in use is also taken into account.

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

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

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

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2023
(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

13. PROPERTY AND EQUIPMENT (continued)

13.7 Impairment (continued)

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

At each financial year-end the finance department:

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

Changes in Level 2 and 3 fair values are analysed at each reporting date during the quarterly valuation discussions between the CFO, finance department and the independent valuer. As part of this discussion, the team presents a report that explains the reasons for the fair value movements, if any.

The Group has a number of commercial centers, residential units, hotel and other leisure assets and under development properties. The Group considered each individual commercial center, hotel and other leisure asset as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets and accordingly designated each of them as separate CGUs. The Group considers infrastructure assets as corporate assets, and combines expected net cash flows from all cash generating units to which the corporate assets belong, for impairment assessment.

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

Valuation approach	Description
Income approach	Under this approach, the valuer has utilized the discounted cash flow approach. The discount rate reflects the growth assumed in the cash flow (both costs and revenues) and the risks associated with the assumptions, including occupancy, rents, operating expenses etc. Since these valuations are based on significant unobservable inputs, the fair value measurement was classified as Level 3.
Market approach	Under this approach, the valuer makes assessment on the basis of a collation and analysis of appropriate comparable transactions, together with evidence of demand within the vicinity of the subject property. The differences in specification of the Group's properties are then adjusted, taking into account size, location, aspect and other material factors. Such values are based on significant unobservable inputs and hence the fair value measurement was classified as Level 3.

EMAAR THE ECONOMIC CITY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

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

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

<u>Significant unobservable input</u>	<u>Basis of determination</u>	<u>2023</u>
Average daily rate (ADR) growth in year 3	The growth in average daily rate in year 3 based on the actual location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rates for similar properties and expected inflation in the economy.	2.4%-2.6%
Discount rates	The discount rate reflects the growth assumed in the cash flow (both costs and revenues) and the risks associated with the assumptions, including occupancy, rents, operating expenses etc.	11%
Estimated occupancy rate in year 4	Based on current, historic and expected future market conditions.	60-70%
Adopted sales rate	The adopted sales rate reflects the consideration taken into account for similar transactions in the city and incorporating the necessary adjustments for differences in location and size.	SR 1,020 per SQM
Number of tickets sold	Based on the property's actual and forecasted demand	104,275
Number of events	Based on the actual and forecasted demand including external evidence from comparable properties.	23

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

13. PROPERTY AND EQUIPMENT (continued)

13.7 Impairment (continued)

The Group has relied on the valuation performed as at 31 December 2023.

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

Class of CGU	Valuation approach	Discount rate	Year 3 ADR growth (%)	Year 4 Occupancy rate	# of tickets sold in Year 3	# of events	Carrying amount	Recoverable amount	Change in discount rate	Sensitivities (percentage impact on recoverable value of the CGUs)			
										Change in year 3 ADR growth rate			
										-1%	0%	1%	
Hospitality assets - 1	Income approach	11%	2.4%-2.6%	60%	-	-	220,563	508,000	Change in discount rate	-0.50%	-3.25%	3.98%	3.25%
										0%	-1.45%	-	1.56%
										0.50%	-7.69%	-5.60%	-3.93%
Change in year 4 occupancy rate													
Hospitality assets - 2	Income approach	12.5%	2.00%	65%	-	-	137,267	216,000	Change in discount rate	-0.50%	-1.43%	5.25%	10.52%
										0%	-5.45%	-	7.55%
										0.50%	-9.57%	-5.30%	4.57%
Number of events													
Leisure asset - 1	Income approach	-	-	-	101,399	-	1,599	25,000	Change in Sales rate	-0.10%	-18.96%	-9.00%	25.95%
										10%	-21.76%	9.00%	21.16%
										0.50%	-24.55%	0.50%	16.77%

EMAAR THE ECONOMIC CITY
 (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

13. PROPERTY AND EQUIPMENT (continued)

13.7 Impairment (continued)

Class of CGU	Valuation approach	Discount rate	# of events held in Year 3	Sales rate per SQM	Absorption period	Carrying amount (SR in 000)	Recoverable amount (SR in 000)	Change in Sales rate	Sensitivities (percentage impact on recoverable value of the CGUs)
Leisure asset – 3	Market approach	-	-	SR 525	84 months	71,603	504,000	Change in Sales rate	10%
								Change in absorption period	-10%
								Change in discount rate	-0.50%
								Change in Sales rate	-10%
								Change in absorption period	10%
								Change in discount rate	-10.00%

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2023
(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

13. PROPERTY AND EQUIPMENT (continued)

13.7 Impairment (continued)

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

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

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

- *Projected cash flows using approved business plans.*
- *The discount rate used was approximately 7.27% based on weighted average cost of capital.*

14. LEASES

14.1 Right-of-use assets

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

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

- | | |
|-------------------------------|------------|
| • Buildings | 3-10 years |
| • Heavy equipment & machinery | 3-4 years |
| • Motor vehicles | 2-4 years |

EMAAR THE ECONOMIC CITY
 (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

14. LEASES (continued)

14.1 Right-of-use assets (continued)

	Buildings	Heavy equipment and machinery	Motor vehicles	Total
Cost:				
Balance as at 1 January 2023	105,583	1,207	--	106,790
Additions during the year	8,611	--	--	8,611
Cessation of lease	(11,097)	--	--	(11,097)
Balance as at 31 December 2023	103,097	1,207	--	104,304
Accumulated depreciation:				
As at 1 January 2023	48,774	725	--	49,499
Charge for the year	10,877	241	--	11,118
Cessation of lease	(11,097)	--	--	(11,097)
As at 31 December 2023	48,554	966	--	49,520
Net book value:				
As at 31 December 2023	54,543	241	--	54,784
Cost:				
Balance as at 1 January 2022	105,583	52,836	6,424	164,843
Cessation of lease	--	(51,629)	(6,424)	(58,053)
As at 31 December 2022	105,583	1,207	--	106,790
Accumulated depreciation:				
As at 1 January 2022	38,722	52,113	6,307	97,142
Charge for the year	10,052	241	117	10,410
Cessation of lease	--	(51,629)	(6,424)	(58,053)
As at 31 December 2022	48,774	725	--	49,499
Net book value:				
As at 31 December 2022	56,809	482	--	57,291

Depreciation charge for the year has been allocated as follows:

	31 December 2023	31 December 2022
Cost of revenue	9,690	9,681
General and administrative expenses	1,428	729
	11,118	10,410

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

14. LEASES (continued)

14.2 Lease liabilities

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

	31 December 2023	31 December 2022
Non-current portion	32,794	25,815
Current portion	56,212	55,448
	89,006	81,263

Movement of lease liabilities:

	31 December 2023	31 December 2022
As at 1 January	81,263	81,561
Financial charges (Note 10)	2,136	2,153
Addition/(repayments) during the year	5,607	(2,451)
As at 31 December	89,006	81,263

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

	2023		2022	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Within twelve months	58,018	56,212	57,167	55,448
One to five years	35,706	32,794	30,681	25,815
Total minimum lease payments	93,724	89,006	87,848	81,263
Less: financial charges	(4,718)	--	(6,585)	--
Present value of minimum lease payments	89,006	89,006	81,263	81,263

14.3 Impairment

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

EMAAR THE ECONOMIC CITY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

14. LEASES (continued)
14.3 Impairment (continued)

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

The recoverable amount is the higher of fair value less costs to sell and the value in use. Recoverable of these assets is determined as SR 60 million at 31 December 2023.

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

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

- Projected cash flows using approved business plans.
- Occupancy growth rate of 10%.
- Discount rate of 7.27%.

(i) Occupancy growth rate

The occupancy growth in the forecast period has been estimated to be average occupancy growth rate of 10%. If all other assumptions are kept the same, a reduction of this growth rate by 17.9% across all expected cashflows would give a value-in-use equal to the current carrying amount.

(ii) Discount rate

The discount was an estimate of the weighted average cost of capital as of 31 December 2023 based on market rates adjusted to reflect management's estimate of the specific risks relating operations and the related industry. If all other assumptions are kept the same, an increase of the discount rate by 1.04% across all expected cashflows would give a value-in-use equal to the current carrying amount.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

15. INVESTMENT PROPERTIES

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

- Buildings 20-30 years
- Leasehold improvements 2 - 10 years
- Infrastructure assets 10-30 years

	2023				
	Land	Buildings	Leasehold improvements	Infrastructure assets	Capital work-in-progress (CWIP)
Cost:					
At the beginning of the year	2,815,489	873,316	945	432,008	1,044,626
Additions	--	--	--	--	1,037
Disposals	(1,983)	(10,687)	--	(1,930)	(2,544)
Transfer to development properties (Note 18)	(22,632)	--	--	--	(36,942)
At the end of the year	2,790,874	862,629	945	430,078	1,006,177
Accumulated depreciation and impairment:					
At the beginning of the year	--	249,792	945	145,114	31,498
Depreciation charge for the year	--	34,003	--	16,793	--
Reversal of impairment (Note 15.11)	--	(2,546)	--	--	--
Disposals	--	(2,586)	--	(1,560)	--
At the end of the year	--	278,663	945	160,347	31,498
Net book value					
At 31 December 2023	2,790,874	583,966	--	269,731	974,679
					4,619,250

EMAAR THE ECONOMIC CITY
 (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

15. INVESTMENT PROPERTIES (continued)

	2022				
	<u>Land</u>	<u>Buildings</u>	<u>Leasehold improvements</u>	<u>Infrastructure assets</u>	<u>Capital work-in-progress (CWIP)</u>
Cost:					Total
At the beginning of the year	2,818,638	899,089	945	432,008	1,052,611
Additions	–	–	–	–	8,176
Disposals	–	(25,773)	–	–	–
Transfer to development properties (Note 18)	(3,149)	–	–	–	(16,161)
At the end of the year	2,815,489	873,316	945	432,008	1,044,626
					5,203,291
					8,176
					(25,773)
					(19,310)
					5,166,384
Accumulated depreciation and impairment:					
At the beginning of the year	–	237,353	945	133,251	–
Depreciation charge for the year	–	27,306	–	11,863	–
Impairment charge	–	1,419	–	–	31,498
Reversal of impairment (Note 15.11)	–	(11,853)	–	–	–
Disposals	–	(4,433)	–	–	–
At the end of the year	–	249,792	945	145,114	31,498
					427,349
Net book value					
At 31 December 2022	2,815,489	623,524	–	286,894	1,013,128
					4,739,035

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

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

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

15. INVESTMENT PROPERTIES (continued)

15.3 Greenfield land measures approximately 168 million square meters and includes land measuring approximately 37 million square meters contributed by a shareholder as part of its capital contribution for an agreed sum of SR 1,700 million in lieu of shares of the same value in the Company (Note 23). The specific allocation of the Greenfield land to be used by different projects, which could be for sale or rental, has not yet been completed. Therefore, the Greenfield land and associated costs, amounting to SR 2,466 million (31 December 2022: SR 2,466 million), has been classified as investment properties. No depreciation has been charged as these comprise only freehold land. Greenfield land includes 24.7 million square meters pledged in favour of the Ministry of Finance against a long-term loan of SR 2,166 million (Note 25). The Group is currently in discussion with Ministry of Finance to release the excess lands, as a result of the conversion of the partial amount of loan, and is awaiting finalization of formalities for de-collateralization. Loans obtained from commercial banks are also secured against Greenfield land.

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

	31 December 2023	31 December 2022
Rental income from operating leases	56,301	59,511
Rental income from operating leases – variable	1,349	1,604
Direct operating expenses on investments properties that generated rental income	1,296	2,775

15.5 There were no direct operating expenses on investment properties that did not generate rental income during 2023 and 2022.

15.6 At 31 December 2023 the Group's investment properties with a carrying amount of SR 928 million were mortgaged as collateral against loans and borrowings. During the years ended 31 December 2023 and 2022, no borrowing cost was capitalized as no development or construction of investment properties was carried out.

15.7 During the year ended 31 December 2023, properties amounting to SR 59.57 million (31 December 2022: SR 19.3 million) were transferred from 'investment properties' to 'development properties' as they underwent a change in use, evidenced by commencement of development with a view to sell along with active marketing for such sale. The development of the property was planned after the feasibility study and receipt of sale proposal and the basic infrastructure development in the surrounding area was already completed beforehand. Accordingly, this property is classified and transferred to development properties.

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

15.9 As at 31 December 2023 and 2022, the Group has no contractual obligation for future repairs and maintenance which are not recognized as liability.

EMAAR THE ECONOMIC CITY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

15. INVESTMENT PROPERTIES (continued)
15.10 Group as lessor:

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

	31 December 2023	31 December 2022
Less than one year	54,759	61,906
One to two years	42,004	47,449
Two to three years	41,917	47,351
Three to four years	41,761	47,175
Four to five years	41,491	46,870
More than five years	380,222	437,925
	602,154	688,676

15.11 During the year ended 31 December 2023, the Group has recognised reversal of impairment, amounting to SR 2.5 million (31 December 2022: reversal of impairment amounting to SR 11.9 million). The reversal of impairment loss was recognised as a result of disposal of properties which had been previously impaired.

15.12 During the year ended 31 December 2023, the Group has recognised an impairment loss, amounting to SR Nil (31 December 2022: 32.9 million).

15.13 Impairment:

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

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

- For certain CGUs by assessing the fair value less cost of disposal (FVLCD) of the underlying assets. The valuation is considered to be Level 3 in the fair value hierarchy due to unobservable inputs used in the valuation.
- For properties where fair value is lower than carrying amount for those CGUs value in use is also taken into account.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

15. INVESTMENT PROPERTIES (continued)

15.13 Impairment (continued)

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

The fair value of the Group's investment property, as at 31 December 2023, has been arrived on the basis of the valuation exercise carried out by independent professionally qualified valuation expert i.e. Valu Strat who holds recognised relevant professional qualification and has recent experience under IFRS 13, in determining the fair values for properties in the locations and segments where the Group's properties are situated. ValuStrat is accredited by the Saudi Authority for Accredited Valuers and performed their work in accordance with the International Valuation Standards Council (IVSC) as well as the regulations issued by the Saudi Authority for Accredited Valuers (TAQEEM).

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

Discussions of valuation processes and results are held at least once annually.

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

At each financial year-end the finance department:

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

Changes in Level 2 and 3 fair values are analysed at each reporting date during the quarterly valuation discussions between the CFO, finance department and the independent valuer. As part of this discussion, the team presents a report that explains the reasons for the fair value movements, if any.

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

EMAAR THE ECONOMIC CITY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

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

Valuation approach	Description
Income approach	Under this approach, the valuer has utilized the discounted cash flow approach. The discount rate reflects the growth assumed in the cash flow (both costs and revenues) and the risks associated with the assumptions, including occupancy, rents, operating expenses etc. Since these valuations are based on significant unobservable inputs, the fair value measurement was classified as Level 3.
Market approach	Under this approach, the valuer makes assessment on the basis of a collation and analysis of appropriate comparable transactions, together with evidence of demand within the vicinity of the subject property. The differences in specification of the Group's properties are then adjusted, taking into account size, location, aspect and other material factors. Such values are based on significant unobservable inputs and hence the fair value measurement was classified as Level 3.

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

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

<u>Significant unobservable input</u>	<u>Basis of determination</u>	<u>2023</u>
Discount rate	The discount rate reflects the growth assumed in the cash flow (both costs and revenues) and the risks associated with the assumptions, including occupancy, rents, operating expenses etc.	12.50%
Capitalisation rate	It is based on actual location, size and quality of the properties and taking into account market data at the valuation date.	7.5% - 10%
Rental range	Based on the actual location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties and expected inflation in the economy.	SR 297 – 900
Absorption period	The time period during which available units are sold in a specific market.	18-120 months
Adopted sales rate	The adopted sales rate reflects the consideration taken into account for similar transactions in the city and incorporating the necessary adjustments for differences in location and size.	SR 500 – 5,000

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2023
(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

15. INVESTMENT PROPERTIES (continued)

15.13 Impairment (continued)

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

Class of CGU	Valuation approach	Discount rate	Absorption period	Rent rate	Capitalisation rate	Rental growth rate	Carrying amount (SR in '000)	Recoverable amount (SR in '000)	Sensitivities (percentage impact on recoverable value of the CGUs)		
									Change in rental growth rate		
									-10%	0%	10%
Industrial	Income approach	-	18-84 months	-	11%	-	321,581	7,455,494	-0.50%	0.00%	4.5%
									0%	-	0.00%
									0.50%	0.00%	4.50%
Residential	Market approach	-	12-60 months	SR 290-560 per SQM	-	-	246,411	357,110	-0.50%	9.59%	
									Change in Discount rate		
									-10%	9.59%	
									Change in Absorption period		
									10%	9.59%	
									Change in rent rate		
									0.50%	-9.59%	
									Change in Cap rate		
									10%	-9.59%	
									Change in Absorption period		
									-10%	-9.59%	
									Change in rent rate		

EMAAR THE ECONOMIC CITY
 (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

15. INVESTMENT PROPERTIES (continued)

15.13 Impairment (continued)

Class of CGU	Valuation approach	Discount rate	Absorption period	Rental rate	Capitalisation rate	Rental growth rate	Carrying amount (SR in '000)	Recoverable amount (SR in '000)	Change in capitalisation rate	Change in rent rate	Change in Cap rate	Change in Absorption period	Sensitivities (percentage impact on recoverable value of the CGUs)		
													Change in rental rate		
Commercial – 1	Income approach	-	-	SR 290-560	7.50%	-	319,188	762,029	Change in capitalisation rate	0.50%	-10%	-7.57%	-5.58%	8.57%	10%
Commercial – 2	Market approach	10-11%	18-102 months	SR 850-1,300	8.5%	-	666,867	1,431,081	Change in Discount rate	-0.50%	10%	10.50%	-10.50%	10.50%	10.67%
									Change in rent rate	10%	0.50%	-10.50%	-10.50%	-10.50%	-10.50%
									Change in Absorption period	10%	-	10%	-10.50%	-10.50%	-10.50%
									Change in rent rate	10%	-	10%	-10.50%	-10.50%	-10.50%

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2023
(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

15. INVESTMENT PROPERTIES (continued)

15.13 Impairment (continued)

These significant unobservable inputs for properties with undetermined use include:

Significant unobservable input	Basis of determination	2023
Discount rate	The discount rate reflects the growth assumed in the cash flow (both costs and revenues) and the risks associated with the assumptions, including occupancy, rents, operating expenses etc.	12.5%
Absorption period	The time period during which available units are sold in a specific market.	18-120 months
Adopted sales rate	The adopted sales rate reflects the consideration taken into account for similar transactions in the city and incorporating the necessary adjustments for differences in location and size.	SR 500-8,500

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

The Group has relied on the valuation performed as at 31 December 2023.

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

Class of CGU	Valuation approach	Discount rate	Absorption period	Sales rate	Fair value	Change in assumptions	Sensitivities (percentage impact on fair value)
Residential land	Market approach	12.75% - 17%	18-84 months	SR 1,500 – 3,500	17,389,722	Change in Discount rate	0.50%
						Change in absorption	10%
						Change in sales rate	-10%
Commercial land	Market approach	12.5% - 15.5%	18-84 months	SR 3,500 – 5,000	2,830,979	Change in Discount rate	0.50%
						Change in absorption	10%
						Change in sales rate	-10%
Urban mixed-use land	Market approach	12.5% - 16.25%	18-84 months	SR 1,300 – 1,500	3,051,526	Change in Discount rate	0.50%
						Change in absorption	10%
						Change in sales rate	-10%
Industrial land	Market approach	13.5% - 16.25%	18-84 months	SR 150 – 500	1,727,773	Change in Discount rate	0.50%
						Change in absorption	10%
						Change in sales rate	-10%

EMAAR THE ECONOMIC CITY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

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

Class of CGU	Valuation approach	Discount rate	Absorption period	Sales rate	Fair value amount	Change in assumptions	Sensitivities (percentage impact on fair value)
Residential land	Market approach	12.75%-17%	12-87 months	SR 361 – 4,426	17,389,722	Change in Discount rate	0.50%
						Change in absorption	-10%
						Change in sales rate	10%
Commercial land	Market approach	12.5%-15.5%	33-99 months	SR 799 – 5,581	2,830,979	Change in Discount rate	0.50%
						Change in absorption	-10%
						Change in sales rate	10%
Urban mixed-use land	Market approach	12.5%-16.25%	9-72 months	SR 874 – 8,458	3,051,526	Change in Discount rate	0.50%
						Change in absorption	-10%
						Change in sales rate	10%
Industrial land	Market approach	13.5%-16.25%	9-72 months	SR 508 - 510	1,727,773	Change in Discount rate	0.50%
						Change in absorption	-10%
						Change in sales rate	10%

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

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

Key assumptions underlying the projections are:

Key assumptions

Discount rate

**31 December
2023**
7.27%

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

15. INVESTMENT PROPERTIES (continued)

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
31 December 2023	--	--	34,917,674	34,917,674
31 December 2022	--	--	34,917,674	34,917,674

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

	<u>Fair value</u>		<u>Carrying amount</u>	
	<u>31 December 2023</u>	<u>31 December 2022</u>	<u>31 December 2023</u>	<u>31 December 2022</u>
Rental income	9,917,674	6,501,870	1,828,377	1,923,546
Currently undetermined future use	25,000,000	29,239,880	2,790,873	2,815,489
	34,917,674	35,741,750	4,619,250	4,739,035

16. INTANGIBLE ASSETS

The movement in the intangible assets is as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Cost:		
At the beginning of the year	113,227	111,517
Additions	74	1,710
At the end of the year	113,301	113,227
Amortization:		
At the beginning of the year	108,952	107,087
Charge for the year	685	1,865
At the end of the year	109,637	108,952
Net book value	3,664	4,275

17. INTEREST IN OTHER ENTITIES

17.1 Investment in equity accounted investees

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

EMAAR THE ECONOMIC CITY
 (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

17. INTEREST IN OTHER ENTITIES (continued)

17.1 Investment in equity accounted investees (continued)

	<u>Effective ownership interest (%)</u>		<u>Balance as at</u>	
	<u>31 December</u> <u>2023</u>	<u>31 December</u> <u>2022</u>	<u>31 December</u> <u>2023</u>	<u>31 December</u> <u>2022</u>
Investment in Ports Development Company ("PDC") (see note (a) below)	50%	50%	2,552,079	2,540,950
Investment in Biyoutat Progressive Company for Real Estate Investment & Development ("Biyoutat") (see note (b) below)	20%	20%	45,790	45,790
Investment in Albilad Tourism Fund (see note (c) below)	41.15%	--	239,499	--
			<u>2,837,368</u>	<u>2,586,740</u>

a) Ports Development Company

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

	<u>31 December</u> <u>2023</u>	<u>31 December</u> <u>2022</u>
Balance at the beginning of the year	2,540,950	2,487,253
Share of results for the year, net of Zakat charge	8,960	25,046
Share of other comprehensive income	2,169	28,651
Balance at the end of the year	<u>2,552,079</u>	<u>2,540,950</u>

Sumarized financial information of PDC is as follows:

	<u>31 December</u> <u>2023</u>	<u>31 December</u> <u>2022</u>
Non-current assets	7,645,138	7,829,095
Current assets	451,601	440,341
Cash and cash equivalents	198,779	205,736
Non-current liabilities	(2,124,728)	(2,284,716)
Current liabilities(**)	(287,551)	(328,269)
Non-current financial liabilities	(2,072,067)	(2,270,558)
Equity	5,684,461	5,662,122
Group's share in equity – 50% (31 December 2022: 50%)	2,842,230	2,828,226
Elimination of share of profit on sale of land and commission income*	<u>(290,151)</u>	<u>(290,151)</u>
Group's carrying amount of the investment	<u>2,552,079</u>	<u>2,540,950</u>

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

(**) Includes trade payable amounting to SR 156.15 million (31 December 2022: SR 182.12million).

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

17. INTEREST IN OTHER ENTITIES (continued)

17.1 Investment in equity accounted investees (continued)

	31 December 2023	31 December 2022
Revenue	445,135	445,922
Depreciation	153,781	134,406
Interest expense	187,120	156,962
Zakat and tax charge	6,508	8,200
Net profit for the year	23,841	48,225
Other comprehensive income to be reclassified to profit or loss in subsequent years	4,338	57,302
Total comprehensive income for the year	23,671	105,689
Group's share of profit for the year, net of related Zakat charge	8,960	25,046
Group's share of other comprehensive income for the year	2,169	28,651

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

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

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

The Group has provided a corporate guarantee along with promissory notes to a commercial bank, limited for SR 1,321 million plus any Murabaha profits due to be paid by the PDC, that allowed PDC to secure a Shariah compliant Murabaha facility to partially finance the construction costs of the Port. Moreover, such loan is also secured by a pledge of the shares of the Group in PDC.

Also, the Group has provided a corporate guarantee to a commercial bank, limited to SR 112.5 million plus any Murabaha profits due to be paid by the PDC, to allow PDC to secure Shariah compliant commodity Murabaha facilities, having a maximum limit of SR 180 million. During 2017, PDC availed the subject Murabaha facility, amounting to SR 150 million, to finance its working capital requirements. The subject facility has been increased to SR 180 million during 2018. In this connection, the Group had also provided promissory notes, amounting to SR 75 million, which has been increased to SR 90 million during 2019, plus any Murabaha profits due to be paid by the PDC.

EMAAR THE ECONOMIC CITY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

17. INTEREST IN OTHER ENTITIES (continued)
17.1 Investment in equity accounted investees (continued)

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

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

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

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

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

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

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

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

	31 December 2023	31 December 2022
Initial investment	200	200
Additional investment	53,755	53,755
Elimination of share of profit on sale of land (*)	(8,165)	(8,165)
	45,790	45,790

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

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

17. INTEREST IN OTHER ENTITIES (continued)

17.1 Investment in equity accounted investees (continued)

c) Investment in Albilad Tourism Fund - Equity investment

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

In return for the land sale, the Group acquired units in the Fund amounting to Saudi Riyals 269.2 million, representing 41.15% of the Fund's equity. The Fund's term is 12 years and is extendable up to 3 additional years. The Group has performed an assessment of the criteria to determine whether the Group has control over the Fund and concluded that the Group does not have control, but significant influence over the Fund. Accordingly, the Fund is being accounted as equity investment in the consolidated financial statements for the year ended 31 December 2023.

	31 December 2023	31 December 2022
Initial investment	269,204	--
Elimination of share of profit on contribution of land (*)	(22,481)	--
	246,723	--
Share of loss for the period	(7,224)	--
Closing investment	239,499	--

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

17.2 Subsidiaries

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

	2023					
	ECIC	IZDCL	REOM	REM	EKC	RED
Total assets	3,689,546	1,471,124	1,265,167	437,258	112,087	1,986,870
Total liabilities	26,004	83,519	255,140	143,055	149,763	999,319
Total equity	3,663,542	1,387,605	1,010,027	294,203	(37,677)	987,551

The following table summarizes the statement of financial position of the subsidiaries as at 31 December 2022. This information is based on the amounts before inter-company elimination.

	2022					
	ECIC	IZDCL	REOM	REM	EKC	RED
Total assets	3,620,632	1,324,377	1,292,459	478,408	104,751	1,853,476
Total liabilities	25,781	105,515	257,400	167,478	143,211	815,606
Total equity	3,594,851	1,218,862	1,035,059	310,930	(38,460)	1,037,870

EMAAR THE ECONOMIC CITY
 (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

17. INTEREST IN OTHER ENTITIES (continued)
17.2 Subsidiaries (continued)

The following table summarizes the statement of profit or loss and other comprehensive income of these subsidiaries for the year ended 31 December 2023 and 31 December 2022. This information is based on the amounts before inter-company elimination.

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

	2022					
	ECIC	IZDCL	REOM	REM	EKC	RED
Revenue	--	7,634	108,641	25,934	31,939	15,618
Loss for the year	(228,767)	(72,355)	(74,858)	(4,978)	(47,169)	(72,735)
Total comprehensive loss for the year	(224,803)	(72,027)	(72,871)	(5,165)	(47,919)	(70,817)

18. DEVELOPMENT PROPERTIES

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

Movement during the year ended 31 December 2023 is as follows:

	Notes	31 December 2023	31 December 2022
Costs incurred to-date		1,549,852	1,591,949
Transferred from investment properties	15	59,574	19,310
Less: cost of development properties sold		(116,440)	(46,394)
Less: provision for development properties		(171,358)	(178,128)
Closing balance		1,321,628	1,386,737
Current portion of development properties		839,341	820,802
Non-current portion of development properties		482,287	565,935
Total		1,321,628	1,386,737

- Disposals of development properties are recognised as expense within cost of revenue.
- As at 31 December 2023, development properties include land amounting to SR 160.97 million (31 December 2022: SR 159.32 million).
- The Group has transferred certain properties from investment properties to development properties based on the change in the intended use to sell such properties after development. (see Note 15).
- The Group carried out an assessment of net realizable value for development properties and recognized a provision, amounting to Nil during the year ended 31 December 2023 (2022: SR 0.41 million).
- During the year, some properties which were written down to net realizable value were sold, accordingly related provision amounting to SR. 6.77 million was reversed to profit and loss.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

18. DEVELOPMENT PROPERTIES (continued)

Determination of NRV:

Projects other than plots of land

The management of the Group has carried out an exercise to determine the NRV of their development properties. This exercise involved determination of planned mode of disposal and the estimation of certain significant variables such as estimated selling price based on planned mode of disposal, estimated cost to sell and estimated cost to make the asset ready for sale. The management determines the estimated selling price by observing the transactions being carried out in the market. During the year 2023, there was no impairment as result of NRV testing.

Unlaunched projects

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

19. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

	<u>Notes</u>	31 December 2023	31 December 2022
Financial assets			
Trade receivables		730,604	670,731
Amounts due from related parties	31	86,992	18,874
Less: impairment on trade receivables	19.1	(358,553)	(334,362)
		459,043	355,243
Commission receivable on Murabaha term deposits		1,083	1,083
Others		31,619	15,754
		491,745	372,080
Non-financial assets			
Prepayments		13,445	12,523
Advances to suppliers		64,911	19,230
Others		13,082	6,627
		91,438	38,380
Trade receivables and other current assets		583,183	410,460

EMAAR THE ECONOMIC CITY
 (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

19. TRADE RECEIVABLES AND OTHER CURRENT ASSETS (continued)

19.1 Breakup of trade receivables is as follows:

	31 December 2023	31 December 2022
Receivables from residential customers against sale of development properties	276,779	273,377
Receivable against city operation services	184,336	180,448
Lease receivables from industrial customers	146,267	130,135
Receivables from industrial customers against sale of development properties	77,271	51,627
Lease receivables from residential customers	16,365	19,307
Receivables for education services	19,158	9,013
Receivable against hospitality services	10,428	6,824
	730,604	670,731

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

The title of the development properties sold are held in the name of the Group until the entire consideration is received by the Group. The remaining trade receivables are unsecured. Trade receivable balances are concentrated in the Kingdom of Saudi Arabia. As at 31 December 2023, five largest customers accounted for 26.8% (31 December 2022: 29%) of the outstanding trade receivables. The estimated fair values of trade and other receivables are the discounted amount of the estimated future cash flows expected to be received and approximate their carrying amounts.

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

Collateral

The Group, in respect of sale of development properties, has collaterals in the form of promissory notes or bank guarantees, and the minimum collateral against sale of development property is the fair value of the property sold to the customer as the Group transfers property title to the customer only upon receipt of the entire amount of the contract. The fair value of the property is incorporated in LGD which is significantly higher and accordingly no ECL is recognised in respect of receivable against sale of development properties. There has not been any change in the quality of collateral. As at 31 December 2023 and 2022, the fair value of all collaterals exceeds the carrying value of the respective trade receivable balances of the related contract.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

19. TRADE RECEIVABLES AND OTHER CURRENT ASSETS (continued)

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

	31 December 2023	31 December 2022
At the beginning of the year	334,362	290,143
Provision for the year	24,801	44,219
Written-off	(609)	--
At the end of the year	358,553	334,362

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

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

	31 December 2023	31 December 2022
Receivable against city operation services	183,005	199,423
Lease receivables from industrial customers	145,211	116,620
Lease receivables from residential customers	16,247	8,766
Receivable against education services	12,079	7,062
Receivable against hospitality services	2,011	2,491
	358,553	334,362

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

	Current (Not past due)	1- 90 days past due	91 – 180 days past due	More than 180 days past due	Total
31 December 2023					
Expected loss rate	48.85%	75.36%	95.45%	99.88%	--
Gross carrying amount – trade receivable	20,954	21,526	35,633	298,441	376,554
Expected credit loss allowance	10,236	16,222	34,012	298,083	358,553
31 December 2022					
Expected loss rate	69.20%	84.27%	96.64%	99.65%	--
Gross carrying amount – trade receivable	21,128	18,427	29,635	276,537	345,727
Expected credit loss allowance	14,621	15,528	28,639	275,574	334,362

EMAAR THE ECONOMIC CITY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

19. TRADE RECEIVABLES AND OTHER CURRENT ASSETS (continued)

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

	Total	Not past due	Past due				
			< 30 days	30–60 days	61–90 Days	91–180 days	> 180 Days
31 December 2023	730,604	85,092	10,006	7,611	9,003	39,221	579,671
31 December 2022	670,731	66,692	14,389	5,686	10,100	42,731	531,133

20. UNBILLED REVENUE

Movements in the unbilled revenue is as follows:

	31 December 2023	31 December 2022
At the beginning of the year	743,525	1,143,567
Revenue recognised during the year from opening balance	93,773	--
Revenue recognised during the year from new contract assets	352,663	69,129
Billing raised during the year	(621,114)	(469,171)
	568,847	743,525
Current portion of unbilled revenue	(283,587)	(154,676)
Non-current portion of unbilled revenue *	285,260	588,849

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

a) Unbilled revenue against sale of development property

	31 December 2023	31 December 2022
Unbilled revenue against sale of development property	552,144	733,989
Less: Unbilled revenue against sale of development property - current portion	(261,066)	(145,140)
Unbilled revenue against sale of development property – non-current portion	291,078	588,849

b) Unbilled revenue against leasing

	31 December 2023	31 December 2022
Unbilled revenue against leasing	124,646	123,162
Less: impairment on unbilled revenue against leasing	(107,940)	(113,626)
Unbilled revenue against leasing - current portion	16,706	9,536

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

20. UNBILLED REVENUE (continued)

c) Movement in impairment on unbilled revenue against leasing

	31 December 2023	31 December 2022
At the beginning of the year	113,626	94,812
(Reversal)/provision for the year	(5,686)	18,814
At the end of the year	107,940	113,626

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

The Group, in respect of sale of development properties, has collaterals in the form of promissory notes or bank guarantees, the minimum collateral against sale of development properties is the fair value of the property sold to the customer as the Group transfers property title to the customer only upon receipt of the entire amount of the contract. The fair value of the property is incorporated in LGD which is significantly higher and accordingly no ECL is recognised in respect of unbilled revenue. As at 31 December 2023 and 2022, the fair value of all collaterals exceeds the carrying value of the respective unbilled revenue balances of the related contract.

21. CASH AND CASH EQUIVALENTS

	<u>Note</u>	31 December 2023	31 December 2022
Cash and bank balances		182,482	133,863
		182,482	133,863
Less: restricted cash – non-current	21.1	(51)	(45,389)
Less: restricted cash – current	21.1	(3,354)	(6,333)
		179,077	82,141

21.1 As at 31 December 2023, these represent balances held in escrow accounts with a commercial bank as collateral under loan arrangement amounting to SR 0.05 million (31 December 2022: SR 45.4 million) and balances relating to off-plan sale of development properties amounting to SR 3.3 million (31 December 2022: SR 6.3 million). The classification of these balances depends on the contractual arrangement and completion of the projects.

21.2 The cash is held in current accounts with banks having sound credit ratings and does not carry any mark-up. The fair value of cash and cash equivalents approximates the carrying value at 31 December 2023 and 2022.

EMAAR THE ECONOMIC CITY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

22. EMPLOYEES' RECEIVABLE – HOME OWNERSHIP SCHEME

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

	Gross receivable		Present value of gross receivable	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Current portion	5,634	6,559	3,473	3,858
Non-current portion:				
One to five years	22,537	26,235	15,168	16,875
Over five years	50,524	54,696	42,597	43,248
	73,061	80,931	57,765	60,123
Total	78,695	87,490	61,238	63,981

As at 31 December 2023, balance amounting to SR 85.95 million is not overdue and the remaining balance amounting to SR 0.75 million is overdue.

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

23. SHARE CAPITAL

As of 31 December 2023 and 2022, the Company's authorized and issued share capital was SR 11,333.33 million consisting of 1,133.33 million shares of SR 10 each (31 December 2022: 1,133.33 million shares of SR 10 each), allocated as follows:

	2023		2022	
	Number of Shares' 000	Capital	Number of Shares' 000	Capital
Issued for cash	680,000	6,800,000	680,000	6,800,000
Issued for consideration in kind	170,000	1,700,000	170,000	1,700,000
Issue of shares following the conversion of long-term loan into equity*	283,333	2,833,333	283,333	2,833,333
	1,133,333	11,333,333	1,133,333	11,333,333

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

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

24. STATUTORY RESERVE

In accordance with the Company's By-laws, approved by the shareholders during April 2017, the Company must set aside 10% of its net profit in each year, after setting-off its accumulated losses, if applicable, until it has built up a reserve equal to 30% of the share capital. The Company may resolve to discontinue such transfers when the reserve totals 30% of the share capital. The reserve is not available for distribution. No such transfer was made for the years ended 31 December 2023 and 2022 due to net loss and accumulated losses for the year.

25. LONG-TERM BORROWINGS

	31 December 2023	31 December 2022
Ministry of Finance ("MoF") loan (Note (b) below)	2,166,667	2,166,667
Accrued commission	651,813	509,659
	2,818,480	2,676,326
Current portion	(2,818,480)	(2,676,326)
Non-current portion	--	--
Facility from a local bank (Note (c) below)	976,245	976,240
Accrued commission	41,862	1,258
	1,018,107	977,498
Current portion	(1,018,107)	(977,498)
Non-current portion	--	--
Facility from a local bank (Note (d) below)	1,690,124	1,690,124
Accrued commission	72,709	29,485
	1,762,833	1,719,609
Current portion	(1,762,833)	(1,719,609)
Non-current portion	--	--
Facility from a local bank (Note (e) below)	537,420	537,420
Accrued commission	36,761	11,841
	574,181	549,261
Current portion	(574,181)	(549,261)
Non-current portion	--	--
Facility from a local bank (Note (f) below)	114,105	114,105
Accrued commission	6,864	2,491
	120,969	116,596
Current portion	(120,969)	(39,679)
Non-current portion	--	76,917
Facility from a shareholder (Note (g) below)	413,476	--
Accrued commission	31,565	--
Derivative financial liability	7,480	--
	452,521	--
Current portion	(452,521)	--
Non-current portion	--	--
Total long-term borrowings	6,747,091	6,039,290
Current portion of long-term borrowings*	(6,747,091)	(5,962,373)
Non-current portion of long-term borrowings	--	76,917

EMAAR THE ECONOMIC CITY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

25. LONG-TERM BORROWINGS (continued)

* As mentioned below, the Group has not complied with the requirements of covenants related to long-term borrowing facilities, resulting in the borrowings with outstanding balance of SR 2,361 million as at 31 December 2023 being immediately due and payable on demand in accordance with the terms and conditions of the borrowings. Such borrowings have been classified as current portion in the above schedule.

- (a) Loan-term borrowings are non-derivative financial liabilities carried at amortised cost except the embedded derivative in the loan arrangement facility from a shareholder (Note (g) below) due to the presence of a call option, which is classified as derivative financial liability and carried at fair value.
- (b) During 2011, the Group received a loan of SR 5,000 million from the Ministry of Finance ("MoF") for the development of KAEC. The loan is denominated in SR and bears variable finance charge based on prevailing market rates of interest which are based on Saudi Arabian Interbank Offered Rate (SIBOR) plus spread. The loan is secured against pledge of 24.7 million sqm of the Group's certain land parcels and was originally repayable, with a three-year grace period, in seven annual instalments commencing from 1 September 2015. However, based on the Group's request submitted before the due date, the MoF, during September 2015, rescheduled the loan by extending the grace period for an additional period of five years. During January 2020, based on the discussions held with the MoF, the MoF has rescheduled the first instalment due in June 2020 to January 2021 with the principal amount repayable in seven instalments, commencing from January 2021, with accrued commission payable on an annual basis.

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

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

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

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

25. LONG-TERM BORROWINGS (continued)

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

There are financial debt covenants related to the facility including the cross-default clauses in respect of loan facilities with other commercial banks. As at 31 December 2023, the Group was not in compliance with certain covenants and, accordingly, the borrowings are payable on demand and, therefore, have been classified as current liability in the accompanying consolidated financial statements.

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

During 2020, the Group entered into a revised / restructured agreement relating to the facility for the outstanding loan amount. Accordingly, as per the revised terms, the loan is repayable, after a grace period of 3 years from 2020 to 2022, in eight semi-annual unequal instalments from April 2023 to April 2030. The management has determined the impact of modification, related to the amendment of certain terms and conditions including repayment schedule, as immaterial.

There are non-financial debt covenants related to the facility including the cross-default clauses in respect of loan facilities with other commercial banks. As at 31 December 2023, the Group was not in compliance with certain covenants and, accordingly, the borrowings are payable on demand and, therefore, have been classified as current liability in the accompanying consolidated financial statements.

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

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

There are financial and non-financial debt covenants related to the facility including the cross-default clauses in respect of loan facilities with other commercial banks. As at 31 December 2023, the Group was not in compliance with certain covenants and, accordingly, the borrowings are payable on demand and, therefore, have been classified as current liability in the accompanying consolidated financial statements.

EMAAR THE ECONOMIC CITY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

25. LONG-TERM BORROWINGS (continued)

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

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

There are no covenants related to the facility.

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

As at 31 December 2023, DC facility has not been fully utilised by the Group.

- (g) During February 2023, the Group signed a Term Loan Facility with one of its substantial shareholders, PIF, for up to SR 1,000 million to be repaid after 18 months through a single bullet payment at maturity. Financial costs on the facility will be based on SIBOR + spread. The loan contains a conversion option to equity, exercisable by PIF, subject to certain required approvals under the applicable laws and regulations. The loan is secured against certain real estate assets within KAEC. The loan facility will be used to finance specific critical expenses including strategic capital expenditures. As at 31 December 2023, the Group has drawn SR 450 million from this loan facility.

The loan contains an embedded derivative due to the presence of a call option in the loan arrangement. The Group has recognized fair value gain amounting to SR 29 million as a result of change in fair value from initial recognition till year end of the embedded derivative. As at 31 December 2023, carrying value of the embedded derivative is SR 7.4 million. There are non-financial debt covenants related to the facility including cross-default clauses in respect of loan facilities with commercial banks. As at 31 December 2023, the Group was not in compliance with certain covenants and, accordingly, the borrowings are payable on demand and, therefore, have been classified as current liability in the accompanying consolidated financial statements.

26. SHORT-TERM BORROWINGS

The Group obtained short-term loan facility from a local commercial bank aggregating to SR 300 million as of 31 December 2023 (31 December 2022: SR 300 million). The facility bears financial costs at market rate which is based on SIBOR and is collateralised by promissory notes. The covenants of the short-term loan facility require the Group to maintain certain level of financial conditions and certain other matters. As at 31 December 2023, the Group was not in compliance with certain covenants, however, there was no impact of such non-compliance on the accompanying consolidated financial statements as the borrowing is already classified as a current liability based on its contractual maturity.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

26. SHORT-TERM BORROWINGS (continued)

Subsequent to the year end 31 December 2023, the Group obtained approval from lender to rollover the loan facility to 31 March 2024.

The unused balance of the facilities as at 31 December 2023 amounted to SR 126.5 million (31 December 2022: SR 98.71 million).

27. EMPLOYEE BENEFIT OBLIGATIONS

General Description of the plan

The Group operates an unfunded defined benefit plan in line with the labor law requirement in the Kingdom of Saudi Arabia. The end of service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the labor laws of the Kingdom of Saudi Arabia. The benefit payments are due upon termination of or resignation from employment. An independent actuary carried out latest valuation of employee benefit obligations under the projected unit credit method as at 31 December 2023 for the Group.

	31 December 2023	31 December 2022
Balance at the beginning of the year	40,841	43,371
Included in consolidated statement of profit or loss		
Current service cost	10,154	12,279
Interest cost	1,838	1,302
	11,992	13,581
Included in consolidated other comprehensive income		
Remeasurement gain arising from experience adjustments	(2,522)	(6,609)
Benefits paid	(8,681)	(9,502)
Balance at the end of the year	41,630	40,841

Actuarial assumptions

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

	2023	2022
Discount rate	4.75%	4.50%
Expected rate of future salary increase	5.0%	5.0%
Retirement age	60 years	60 years

EMAAR THE ECONOMIC CITY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

27. EMPLOYEE BENEFIT OBLIGATIONS (continued)

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

	Change in assumption by	Impact on ETB liability Increase / (decrease)			
		31 December 2023		31 December 2022	
		Increase in rate	Decrease in rate	Increase in rate	Decrease in rate
Discount rate	1%	(3,194)	3,690	(3,424)	3,984
Expected rate of future salary increase	1%	3,643	(3,216)	3,923	(3,439)

The weighted average duration of the defined benefit obligation for 2023 is 8 years (31 December 2022: 9 years).

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

	31 December 2023	31 December 2022
Less than a year	4,429	3,946
Between 1-2 years	4,317	2,854
Between 2-5 years	8,698	8,878
Over 5 years	48,192	49,498
	65,636	65,176

28. TRADE AND OTHER PAYABLES

	Note	31 December 2023	31 December 2022
Accrued expenses and other payables		213,079	252,595
Trade payables		203,826	226,565
Retentions payable		190,994	203,370
Contractors accrued balances		96,455	101,984
Amounts due to related parties	31	4,416	6,442
Others	28.1	16,590	16,590
		725,360	807,546

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

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

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

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

28. TRADE AND OTHER PAYABLES (continued)

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

29. CONTRACT LIABILITIES

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

Following is the movement of contract liability:

	31 December 2023	31 December 2022
At the beginning of the year	986,638	1,141,216
Revenue recognised during the year from opening balance	(244,095)	--
Revenue recognised during the year from new contract liabilities	(346,476)	(193,870)
Billing raised / advance received during the year	316,282	39,292
	712,349	986,638

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

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

During the year ended 31 December 2023, Contract liabilities has been shown separately on the face of consolidated statement of financial position for better presentation purposes.

30. ZAKAT

30.1 Charge for the year

	31 December 2023	31 December 2022
Provision for current year Zakat expense	45,000	43,152
Provision related to open assessments	--	56,356
	45,000	99,508

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

EMAAR THE ECONOMIC CITY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

30. ZAKAT (continued)
30.2 Movement in provision

The movement in the Zakat provision is as follows:

	31 December 2023	31 December 2022
At the beginning of the year	215,458	148,524
Charge for the current year	45,000	43,152
Charge for the open assessments	--	56,356
	45,000	99,508
Payments during the year	(9,720)	(32,574)
At the end of the year	250,738	215,458

30.3 Components of zakat base

The Company and its fully owned Saudi Arabian subsidiaries file zakat declarations on a consolidated basis in accordance with the regulations of the ZATCA. The significant components of the zakat base under zakat and income tax regulation are principally comprised of shareholders' equity, provisions at the beginning of period, loans and borrowings and estimated income subject to zakat, less deductions for the net book value of property and equipment, investment properties and certain other items. Zakat is payable at 2.58% of approximate zakat base (excluding adjusted net income for the period) and at 2.5% of the adjusted net profit for the period.

30.4 Status of assessments
a) Emaar The Economic City (EEC)

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

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

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

ZATCA issued a revised assessment for the year 2014 on 8 October 2020 with a Zakat liability of SR 33 million reduced from SR 67.7 million. The Company filed an appeal against the revised assessment with the Tax Violations and Dispute Resolution Committee ["TVDRC"]. The TVDRC rendered its decision on 28 December 2021 and partially accepted the Company's appeal resulting in a reduced Zakat liability of SR 21 million. EEC and the ZATCA have filed appeals with the Tax Violations and Dispute Appellate Committee ["TVDAC"] against the TVDRC's decision, which is pending adjudication.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

30. ZAKAT (continued)

30.4 Status of assessments (continued)

ZATCA has issued a revised assessment for the years 2015 to 2018 on 24 February 2021 with a Zakat liability of SR 247 million reduced from SR 254 million. The Company filed an appeal against the ZATCA's revised assessment with the TVDRC. The TVDRC rendered its decision on 11 April 2022 and partially accepted the Company's appeal resulting in a reduced Zakat liability of SR 219 million. EEC and the ZATCA have filed appeals with the TVDAC against the TVDRC's decision, which is pending adjudication.

EEC has filed consolidated Zakat returns up to the year 2022 and information returns for the group entities. The ZATCA has issued the final Zakat certificate for the year 2022, valid until 30 April 2024.

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

b) IZDCL

Zakat status of the Company is finalized up to the year 2012 as well as the years 2014 and 2015.

On 1 January 2024, the ZATCA has issued final assessments for the years 2013, 2016, and 2017 with additional Zakat liabilities of SR 4.3 million which is currently under review with the Company's management.

ZDCL has submitted the Zakat/information return up to the year 2022. The ZATCA has issued the final Zakat certificate for the year 2022, valid until 30 April 2024.

c) RED

ZATCA issued final assessments for the years 2015 to 2017 with additional Zakat liabilities of SR 5.7 million. Red has submitted an objection against the ZATCA's assessment which is under review with ZATCA.

RED has filed the Zakat/information return up to the year 2022. The ZATCA has issued the final Zakat certificate for the year 2022, valid until 30 April 2024.

d) REOM

REOM has submitted the Zakat/information return up to the year 2022. The ZATCA has issued the final Zakat certificate for the year 2022, valid until 30 April 2024. The ZATCA has not issued any assessments.

e) ECIC

ECIC finalized Zakat returns up to the year 2012.

ECIC has submitted the Zakat/information return up to the year 2022. The ZATCA has issued the final Zakat certificate for the year 2022, valid until 30 April 2024.

EMAAR THE ECONOMIC CITY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

30. ZAKAT (continued)
30.4 Status of assessments (continued)
f) EKC

ZATCA has issued a Zakat assessment for the year 2017 and claimed an additional Zakat of SR 6,828. EKC has accepted the ZATCA's assessment and settled the liability.

EKC has submitted the Zakat/information return up to the year 2022. The ZATCA has issued the final Zakat certificate for the year 2022, valid until 30 April 2024.

g) REM

REM has submitted the Zakat/information return up to the year 2022. The ZATCA has issued the final Zakat certificate for the year 2022, valid until 30 April 2024.

The ZATCA has not issued any assessments.

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

31. RELATED PARTY MATTERS

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

The Government of Kingdom of Saudi Arabia controls Public Investment Fund which exercises significant influence over the Group due to its shareholding. As a result, the Government of Saudi Arabia, semi-Government and other entities with Government ownership or control, including, but not limited to ministries, regulatory bodies and authorities are related parties of the Group. In accordance with the exemption in IAS 24, the management has adopted a partial exemption for disclosure of transactions and balances for government-related entities as required under IAS 24.

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

<u>Name</u>	<u>Relationship</u>
Ports Development Company	Joint Venture.
Biyoutat Progressive Company for Real Estate Investment & Development	Joint Venture.
Public Investment Fund (PIF)	Holds Significant influence.
Lucid Limited Liability Company	Government related entities
CEER National Automotive Company	(subsidiaries of PIF)
Dar Al Himmah Projects Company Limited	

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

31. RELATED PARTY MATTERS (continued)

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

Related party	Nature of transactions	Transactions		Balance as at	
		<u>2023</u>	<u>2022</u>	<u>31 December 2023</u>	<u>31 December 2022</u>
Amounts due from related parties					
Lucid Limited Liability Company	Lease, service and utility charges	1,369	12	36	--
CEER National Automotive Company	Sale of properties	67,583	69,862	67,952	17,952
Dar Al Himmah Projects Company Ltd	Sale of properties	222,594	--	18,338	--
RIXOS - AlBilad Tourism Fund	Sale of properties	39,448	--	--	--
Amlak International Real estate Company	Advance	--	--	--	30
Biyoutat Progressive Company for Real Estate Investment & Development					
Ports Development Company	Lease, service and utility charges	--	--	402	401
	Lease, service and utility charges	--	3	180	180
Key management personnel					
	Lease	16	157	--	73
	Sale of properties, utilities and service charges	12	16	8	3
	Accommodation charges	--	151	--	151
	Advances	--	30	--	30
Board of Directors					
	Lease, service and utility charges	19	--	76	--
	Advances	--	--	--	54
Total		331,041	70,231	86,992	18,874

EMAAR THE ECONOMIC CITY
 (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

31. RELATED PARTY MATTERS (continued)

Related party	Nature of transactions	Transactions		Balance as at	
		2023	2022	31 December 2023	31 December 2022
Amounts due to related parties					
Halwani Brothers Company	Lease, Service and Utility Charges	--	173	--	(87)
Aramex	Courier Charges	--	2	--	(3)
Emaar Industries and Investment Company	Professional & consultancy Charges	--	--	--	(366)
Emaar Properties	Professional & consultancy Charges	--	--	--	(89)
Emaar Hospitality Group	Professional & consultancy Charges	--	--	--	(75)
Khozama	Professional & consultancy Charges	--	1,115	--	(1,391)
Public Investment Fund (PIF)	Loan obtained	450,000	--	(445,041)	--
	Accrued interest	31,565	--	--	--
Key management personnel					
	Remuneration	17,858	22,901	--	--
	Lease, Service and Utility Charges	43	--	--	--
Board of directors					
	Remuneration and meeting fees	4,400	4,415	(4,400)	(4,415)
	Advances	--	--	(16)	(16)
Total		503,866	28,606	(449,457)	(6,442)

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

31. RELATED PARTY MATTERS (continued)

Compensation of key management personnel of the Group

	31 December 2023	31 December 2022
Short-term employee benefits	13,204	20,185
Non-monetary benefits	798	1,146
Post-employment benefits	557	825
Bonus Accrual	828	--
Termination benefits	2,471	745
	17,858	22,901

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

32. OTHER PROVISIONS

The Group, from time to time, is a defendant in lawsuits, which mainly represent commercial disputes. During the year ended 31 December 2022, management had recorded a provision amounting to SR 163.25 million for certain existing and potential lawsuits, where the management expects an unfavourable outcome based on the consultation with its legal advisors. During year, the Group has settled off some liabilities amounting to SR 130.92 million and reversed SR 24.3 million which is no longer required due to the decision of Court received during the period related to certain litigations. The balance mainly represent provision required at the end of year 2023.

33. CONTINGENT LIABILITIES AND COMMITMENTS

In addition to disclosure set out in Notes 17 and 30, contingent liabilities and commitments, as at 31 December 2023, are described as below:

- a) Based on management's assessment and consultation with its Zakat advisors, management has assessed potential exposure arising from open Zakat assessments and, accordingly the Group has recorded a provision amounting to SR 56.36 million in financial year 2022. Refer to Note 30 for zakat related contingencies.
- b) The Group's outstanding commitments related to future expenditure for the development of KAEC in the coming few years related to property and equipment, investment properties and development properties amounts to SR 297.43 million, SR 156.33 million and SR 58.55 million respectively (31 December 2022: SR 209.56 million, SR 148.69 million and SR 70.53 million).
- c) The Group's outstanding commitments related to letter of guarantee and letters of credit amounting to SR 22.82 million and SR 1.50 million respectively (31 December 2022: SR 22.89 million and SR 25.18 million respectively).
- d) Refer to Note 17 for equity accounted investee related contingency.
- e) The Group's share in the capital commitments of the joint venture is SR 130.41 million (31 December 2022: SR 138.50 million).
- f) Refer to Note 15 for future minimum rentals receivable.

EMAAR THE ECONOMIC CITY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

34. SEGMENTAL INFORMATION
Basis of segmentation

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

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

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

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

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

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

34. SEGMENTS RELATED REVENUE AND PROFITABILITY (continued)

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

* Major revenue is generated from sale of development properties. During the year, substantial revenue is generated from Dar Al Himmah, Vivienda and Barn's deals.

** This also includes reversal on impairment loss amounting SR 2.5 million on corporate assets (also refer note 15.11).

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

34. SEGMENTS RELATED REVENUE AND PROFITABILITY (continued)

	Residential business	Industrial development	Hospitality and leisure	Education	City operations	Total Segments	Adjustments and eliminations	Consolidated
For the year ended 31 December 2022								
<u>Revenue</u>								
External customers	52,258	147,932	103,905	42,635	26,597	373,327	(9,940)	363,387
Inter-segment	11,919	--	32,641	--	63,046	107,606	(107,606)	--
	64,177	147,932	136,546	42,635	89,643	480,933	(117,546)	363,387
<u>Results</u>								
Cost of inventories and services recognised as an expense	(82,803)	(43,995)	(47,656)	(4,464)	(77,629)	(256,547)	35,511	(221,036)
Impairment loss on non - financial assets	(22,231)	--	--	--	--	(22,231)	(36,755)	(58,986)
Impairment loss on financial assets	(36,830)	(15,304)	(3,357)	(2,456)	(5,086)	(63,033)	--	(63,033)
Financial charges	(69)	--	(2,534)	(4,404)	--	(7,007)	(287,292)	(294,299)
Financial income	--	--	--	--	--	--	1,891	1,891
Depreciation	(36,879)	(22,857)	(74,770)	(24,553)	(3,137)	(162,196)	(134,196)	(296,392)
Amortisation	(226)	--	--	(52)	--	(278)	(1,587)	(1,865)
Share of results of equity accounted investee	--	--	--	--	--	--	25,045	25,045
Other expenses	(63,374)	(26,731)	(59,059)	(68,580)	(20,361)	(238,105)	(274,390)	(512,495)
Loss before Zakat	(178,235)	39,045	(50,830)	(61,874)	(16,570)	(268,464)	(789,318)	(1,057,782)
Zakat	--	--	--	--	--	--	(99,508)	(99,508)
Loss for the year	(178,235)	39,045	(50,830)	(61,874)	(16,570)	(268,464)	(888,826)	(1,157,290)

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

35. NON-CASH SUPPLEMENTARY INFORMATION

	<u>Notes</u>	31 December 2023	31 December 2022
Transfer of investment properties to development properties	15, 18	59,574	19,310

36. FINANCIAL INSTRUMENTS RISK MANAGEMENT

Overview

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

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

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

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

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

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

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

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

EMAAR THE ECONOMIC CITY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

36. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

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

36.1 Credit risk

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

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

The Group seeks to manage its credit risk with respect to customers by monitoring outstanding receivables. Certain sales pertaining to real estate are made on instalment basis. The sale agreements with customers provide that the title to the property is transferred to the customers only upon the receipt of complete sale price. The collection department monitors the situation of outstanding receivables and follows up with customers for the payments in accordance with the contractual terms. The five largest customers account for 26.75% (31 December 2022: 29%) of outstanding trade receivables as at 31 December 2023. Payment term varies from product to product with some exceptions at the customer level.

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

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

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

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

36. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

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

	31 December 2023	31 December 2022
Unbilled revenue	568,847	743,525
Employees' receivable – home ownership scheme	61,238	63,981
Trade receivables and other current assets	491,745	372,080
Restricted cash	3,405	51,722
Cash and cash equivalents	179,077	82,141
	<u>1,304,312</u>	<u>1,313,449</u>

Excessive risk of concentration

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

36.2 Market risk

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

i. Commission rate risk

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

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

As at 31 December, 2023, the fair value of the borrowings and their carrying values are estimated to approximate their fair values.

EMAAR THE ECONOMIC CITY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

36. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)
Commission rate sensitivity

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

	Increase/decrease in basis points	Effect on loss before Zakat
2023	+100	(65,962)
	-100	65,962
2022	+100	(54,944)
	-100	54,944

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

The weighted average rate for the Group's long-term borrowings is approximately 6.76% (31 December 2022: 4.73%).

ii. Currency risk

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

iii. Price risk

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

36.3 Liquidity risk

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

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

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

36. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

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

Financial liabilities

	31 December 2023				
	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Over 5 years
Loans and borrowings	6,747,091	--	--	--	--
Lease liabilities	47,952	56	10,010	35,706	--
Short-term borrowings	--	152,429	--	--	--
Trade and other payables	--	--	725,360	--	--
	6,795,043	152,485	735,370	35,706	--
					6,747,091
					93,724
					152,429
					725,360
					7,718,604

	31 December 2022				
	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Over 5 years
Loans and borrowings	5,962,373	2,392	4,866	79,422	--
Lease liabilities	44,707	--	12,460	30,681	--
Short-term borrowings	--	201,765	--	--	--
Trade and other payables	2,473	271,369	533,704	--	--
	6,009,553	475,526	551,030	110,103	--
					6,049,053
					87,848
					201,765
					807,546
					7,146,212

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

36. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

Financial assets

	31 December 2023		
	Less than 12 months	More than 12 months	Total
Trade receivables and other current assets	491,745	--	491,745
Restricted cash	3,354	51	3,405
Cash and cash equivalents	179,077	--	179,077
	674,176	51	674,227
	31 December 2022		
	Less than 12 months	More than 12 months	Total
Trade receivables and other current assets	372,080	--	372,080
Restricted cash	45,389	6,333	51,722
Cash and cash equivalents	82,141	--	82,141
	499,610	6,333	521,077

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

37. CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. The capital structure includes all component of shareholders' equity amounting to SR 6.4 billion. The Group maintains credit facilities with banks to maintain its working capital requirements. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, the ratio is calculated based on the net debt divided by total capital. At 31 December 2023, the Group's gearing ratio is 51.53% (31 December 2022: 48.39%).

	<u>2023</u>	<u>2022</u>
Borrowings	6,899,521	6,241,055
Lease liabilities	89,006	81,263
Less: cash and cash equivalents	(179,077)	(82,141)
Net debt (A)	6,809,450	6,240,177
Total equity (B)	6,406,248	6,654,777
Total capital (A+B)	13,215,698	12,894,954
Gearing ratio (A / (A+B))	51.53%	48.39%

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call borrowings. There have been breaches of the financial covenants of borrowings in the current year (refer Note 25 & 26). No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 31 December 2022. Also see Note 1.

Net debt reconciliation of the Group is as follows:

	<u>Borrowings</u>	<u>Leases</u>	<u>Net debt</u>
1 January 2022	(6,157,103)	(81,561)	(6,238,664)
Finance costs	(288,039)	(2,153)	(290,192)
Proceeds	(148,303)	--	(148,303)
Repayment of loan and borrowing	154,433	2,451	156,884
Finance cost paid	197,957	--	197,957
31 December 2022	(6,241,055)	(81,263)	(6,322,318)
Finance costs	(481,711)	(2,136)	(483,847)
Proceeds	(450,000)	(5,607)	(455,607)
Repayment of loan and borrowing	51,288	--	51,288
Finance cost paid	192,914	--	192,914
Fair value liability adjustments	29,043	--	29,043
31 December 2023	(6,899,521)	(89,006)	(6,988,527)

EMAAR THE ECONOMIC CITY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

38. FAIR VALUE OF ASSETS AND LIABILITIES

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

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

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

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

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

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

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

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

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

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

39. COMPARATIVE FIGURES

Certain prior period amounts have been reclassified (refer note 7, 9 and 29), wherever necessary, to conform to the presentation adopted in the consolidated financial statements for the current year.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

40. SUBSEQUENT EVENT

No matter has occurred up to and including the date of the approval of these consolidated financial statements by the Board of Directors which could materially affect these consolidated financial statements and the related disclosures for the year ended 31 December 2023.

41. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorized for issue by the Board of Directors on 31 March 2024 corresponding to 21 Ramadan 1445H.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

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

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2024

Index	Page
Independent auditor's report	1 – 6
Consolidated statement of profit or loss and other comprehensive income	7
Consolidated statement of financial position	8 – 9
Consolidated statement of changes in equity	10
Consolidated statement of cash flows	11 – 12
Notes to the consolidated financial statements	13 – 107


KPMG Professional Services Company

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

Headquarters in Riyadh

شركة كي بي إم جي للاستشارات المهنية مساهمة مهنية

مركز زهران للأعمال
 شارع الأمير سلطان
 ص. ب. 55078
 جدة 21534
 المملكة العربية السعودية
 سجل تجاري رقم 4030290792
 المركز الرئيسي في الرياض

Independent Auditor's Report

To the Shareholders of Emaar The Economic City

Opinion

We have audited the consolidated financial statements of Emaar The Economic City ("the Company") (and its subsidiaries) ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2024, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("IFRS Accounting Standards") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

Basis for Opinion

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

Material uncertainty related to going concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Group incurred a net loss of SR 1,135 million during the year ended 31 December 2024 and, as of that date, the Group's current liabilities exceeded its current assets by SR 7,750 million. In addition, the Group has not complied with the requirements of covenants related to long-term borrowing facilities, resulting in the borrowings with outstanding balance of SR 2,461 million (out of total balance amounting to SR 7,871 million) as at 31 December 2024 being immediately due and payable on demand in accordance with the terms and conditions of the borrowing agreements. The Group's ability to meet its obligations as they fall due and to continue its operations without significant curtailment is therefore highly dependent on the successful execution of management's plans including debt restructuring, obtaining additional funding from shareholders and the sale of properties to generate sufficient cash flows. These events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KPMG Professional Services Company, a professional closed joint stock company registered in the Kingdom of Saudi Arabia with a paid-up capital of SAR110,000,000 and a non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. Commercial Registration of the headquarters in Riyadh is 1010425494.

شركة كي بي إم جي للاستشارات المهنية مساهمة مهنية مساهمة مغلقة مسجلة في المملكة العربية السعودية، رأسمالها (110,000,000) ريال سعودي مدفوع بالكامل، وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة القائمة لكي بي إم جي العالمية المسجلة، شركة فديزيرة محدودة بضمان. رقم السجل التجاري للمركز الرئيسي في الرياض هو 1010425494.



Independent Auditor's Report

To the Shareholders of Emaar The Economic City (continued)

Key Audit Matters

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

Revenue recognition	
See Note 3, 4 and 6 to the consolidated financial statements.	
The key audit matter	How the matter was addressed in our audit
During the year ended 31 December 2024, the Group recognized total net revenue of SR 426 million (2023: SR 1,031 million). Revenue is a key indicator for measuring performance, and this implies the presence of inherent risks to overstate revenue recognition to increase profitability and earnings. Therefore, revenue recognition was considered a key audit matter in particular consideration of: - estimation of total costs required to meet performance obligations under the contracts with customers. - the analysis of whether the contracts comprise one or more performance obligations; and - determining whether the performance obligations are satisfied over time or at a point in time. Refer to Note 3 to the accompanying consolidated financial statements for the disclosure of critical accounting estimates and judgements, Note 4 to the accompanying consolidated financial statements for the accounting policy relating to the revenue and Note 6 to the accompanying consolidated financial statements for the disclosure related to revenue.	Our audit procedures in this area included, among others: - Obtained an understanding of the process and key controls surrounding the revenue recognition process. - Performed walkthroughs and testing of relevant key controls to determine whether they were designed, implemented and operated effectively throughout the year. - Assessed the contracts on a sample basis for the sale of properties and plots of land to identify the performance obligations of the Group under these contracts and assessed whether these performance obligations are satisfied over time or at a point in time, based on relevant accounting standards. - On a sample basis, we assessed the appropriateness of percentage of the completion of the construction of properties by reference to costs incurred to date compared to the estimated total cost, where the performance obligation is satisfied over time. - Inspected supporting documents, on a sample basis, to determine whether estimation of total costs and costs incurred to date on developments are recorded appropriately. - Recalculated the revenue, on a sample basis, using the input method and compared it with the calculation performed by the Group. - Assessed the appropriateness of the Group's revenue recognition accounting policies for recognizing revenue on sale of properties and the related disclosures in the consolidated financial statements.



Independent Auditor's Report

To the Shareholders of Emaar The Economic City (continued)

Impairment assessment of property and equipment and investment properties

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

The key audit matter	How the matter was addressed in our audit
The Group has property and equipment and investment properties amounting to SR 4,993 million and SR 4,600 million, respectively, as at 31 December 2024 which represents significant balances in the Group's consolidated statement of financial position as of that date. The Group assesses indicators of impairment on its property and equipment and investment properties on an ongoing basis. For the purpose of the consolidated financial statements for the year ended 31 December 2024, management identified the negative operating cash flows and higher than budgeted operating losses as impairment indicators and, accordingly, performed an impairment assessment of property and equipment and investment properties as at 31 December 2024. We have considered this as a key audit matter as the evaluation of impairment indicators involves significant assumptions and estimates. Any variation in the estimation/ assumptions could have a material impact on the consolidated financial statements. As part of its assessment, the Group considers indicators including but not limited to, expected net cash flows from the identified Cash Generating Units (CGUs), current market conditions and other performance indicators. In addition to the above, the Group involves third party valuers to carry out valuations for its property and equipment and investment properties, to assess the fair value of its property and equipment and investment properties. Refer to Note 3 to the accompanying consolidated financial statements for the disclosure of critical accounting estimates and judgements, Note 4 to the accompanying consolidated financial statements for the accounting policy relating to impairment of non-current assets and Notes 13 & 15 to the accompanying consolidated financial statements for the disclosure related to property and equipment and investment properties, respectively.	Our audit procedures in this area included, among others: • Obtained an understanding of the process of identifying impairment indicators and tested design and implementation of key internal controls. • Assessed the appropriateness of the identification of the CGU for which the impairment assessment was performed by considering relevant standard requirements. • Involved our own valuation specialists to assess Groups' impairment assessment, including assessing methodology applied by the valuer and reasonableness of key underlying assumptions used by the valuer and the Group. • Assessed the accuracy of the input data used by management to assess fair values of its property and equipment and investment properties. • Assessed the qualifications and expertise of the third party valuers, involved in the valuation of investment properties and property and equipment and inspected the terms of their engagement to determine whether there were any matters that might have impacted their objectivity. • Assessed the appropriateness of the Group's accounting policies for impairment and the related disclosures in the consolidated financial statements.



Independent Auditor's Report

To the Shareholders of Emaar The Economic City (continued)

Valuation of development properties

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

The key audit matter	How the matter was addressed in our audit
The Group holds development properties amounting to SR 1,319 million as at 31 December 2024. Development properties are carried at the lower of cost and net realisable value ("NRV") and principally include completed and under development residential units and free-hold land parcels. The Group estimates NRV as the estimated selling price in the ordinary course of business less estimated costs to complete and estimated cost to make the sale. For the purpose of estimating the NRV, management engaged professionally qualified external valuer (the "Valuer") licensed by the Saudi Authority for Accredited Valuers and performed their work in accordance with the International Valuation Standards Council (IVSC) as well as the regulations issued by the Saudi Authority for Accredited Valuers (TAQEEM). Furthermore, management has also performed an assessment of estimating the future selling price with reference to recent sales transactions of comparable properties. The valuation of the Group's development properties, for the purpose of NRV, is inherently subjective due to, among other factors, the individual nature of each property, its location and comparable selling prices. We considered this to be a key audit matter because the significance of the estimates and judgements involved in determining the NRV of development properties, such as the Group's estimate of the sales price, warrants specific audit focus in this area as any significant change in this estimate, could have a material impact on the carrying value of the Group's development properties. Refer to Note 3 to the accompanying consolidated financial statements for the disclosure of critical accounting estimates and judgements, Note 4 to the accompanying consolidated financial statements for the accounting policy relating to development properties and Note 18 to the accompanying consolidated financial statements for the disclosure of other related financial information.	Our audit procedures in this area included, among others: - Obtained an understanding of the valuation process and tested design and implementation of key internal controls. - Assessed the competence, capabilities and objectivity of the Valuer engaged by management. - Involved our own valuation specialist who performed the following procedures: - Assessed the methodology applied by the Valuer to ensure the valuation approach used and methodology adopted by the Valuer is appropriate for determining the NRV of development properties for the purpose of the consolidated financial statements; - Assessed the reasonableness of key underlying assumptions used by the Valuer and the Group. - Evaluated the reasonableness of the Group's estimated sales prices, estimated costs to complete and estimated costs to make the sale through a combination of management discussions and inspection of supporting documents. - Assessed the adequacy and appropriateness of the related disclosures in the accompanying consolidated financial statements.



Independent Auditor's Report

To the Shareholders of Emaar The Economic City (continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

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

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



Independent Auditor's Report

To the Shareholders of Emaar The Economic City (continued)

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of Emaar The Economic City ("the Company") (and its subsidiaries) ("the Group").

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG Professional Services Company



Ebrahim Oboud Baeshen
License No. 382

Jeddah, 27 March 2025
Corresponding to 27 Ramadan 1446H



EMAAR THE ECONOMIC CITY
 (A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

	Notes	2024	2023
Revenue	6	425,970	1,031,357
Cost of revenue	7	(544,518)	(599,725)
Gross (loss) / profit		(118,548)	431,632
Selling and marketing expenses	8	(54,915)	(45,429)
General and administrative expenses	9	(352,946)	(322,164)
Impairment reversal / (loss) on financial and contract assets	19, 20	69,813	(19,115)
Other operating income	11	80,311	177,569
Amortization of unearned interest		15,474	20,245
Operating (loss) / profit		(360,811)	242,738
Financial income		2,857	2,110
Fair value gain on derivative financial liability	25(f)	12,705	29,043
Financial charges	10	(620,452)	(483,847)
Share of (loss) / profit of equity accounted investee	17	(92,832)	1,736
Loss before zakat		(1,058,533)	(208,220)
Zakat	30	(76,032)	(45,000)
Loss for the year		(1,134,565)	(253,220)
Other comprehensive (loss) / income:			
<i>Items that will be reclassified to profit or loss in subsequent periods:</i>			
Share of other comprehensive (loss) / income of equity accounted investee	17	(6,966)	2,169
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>			
Re-measurement gain on defined benefit obligations	27	3,939	2,522
Other comprehensive (loss) / income for the year		(3,027)	4,691
Total comprehensive loss for the year		(1,137,592)	(248,529)
Loss per share:			
Basic and diluted loss per share attributable to equity holders of the Parent Company (in SR per share)	12	(2.17)	(0.48)


 Chairman Board of Directors


 Chief Executive Officer


 Chief Financial Officer

The attached notes 1 to 40 form part of these consolidated financial statements.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

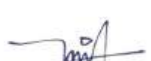
	Notes	31 December 2024	31 December 2023
ASSETS			
Non-current assets			
Property and equipment	13	4,993,380	4,917,219
Right-of-use assets	14	45,700	54,784
Investment properties	15	4,599,548	4,619,250
Intangible assets	16	2,981	3,664
Investment in equity accounted investees	17	2,711,806	2,837,368
Development properties	18	483,018	482,287
Unbilled revenue	20	196,057	285,260
Employees' receivable - home ownership scheme	22	53,463	57,765
Restricted cash	21	51	51
Total non-current assets		13,086,004	13,257,648
Current assets			
Development properties	18	835,611	839,341
Unbilled revenue	20	223,238	283,587
Current portion of employees' receivable - home ownership scheme	22	3,504	3,473
Trade receivables and other current assets	19	686,229	583,183
Restricted cash – current portion	21	3,707	3,354
Cash and cash equivalents	21	252,367	179,077
Total current assets		2,004,656	1,892,015
Total assets		15,090,660	15,149,663
EQUITY AND LIABILITIES			
Equity			
Share capital	23	5,232,599	11,333,333
Statutory reserve	24	11,536	11,536
Accumulated profit / (losses)		22,776	(4,938,621)
Total equity		5,266,911	6,406,248
Non-current liabilities			
Loans and borrowings	25	--	--
Lease liabilities	14	23,683	32,794
Employee benefit obligations	27	45,483	41,630
Total non-current liabilities		69,166	74,424



 Chairman Board of Directors



 Chief Executive Officer



 Chief Financial Officer

The attached notes 1 to 40 form part of these consolidated financial statements.

EMAAR THE ECONOMIC CITY
 (A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

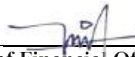
As at 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

	<u>Notes</u>	31 December 2024	31 December <u>2023</u>
Current liabilities			
Lease liabilities - current portion	14	51,670	56,212
Loans and borrowings - current portion	25	7,871,117	6,747,091
Short-term borrowings	26	161,386	152,429
Trade and other payables	28	973,190	725,360
Contract liabilities	29	605,044	712,349
Other provisions	32	43,967	24,812
Zakat provision	30	48,209	250,738
Total current liabilities		9,754,583	8,668,991
Total liabilities		9,823,749	8,743,415
Total equity and liabilities		15,090,660	15,149,663


 Chairman Board of Directors


 Chief Executive Officer


 Chief Financial Officer

The attached notes 1 to 40 form part of these consolidated financial statements.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

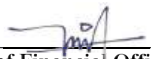
For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

	<u>Share Capital</u>	<u>Statutory reserve</u>	<u>Accumulated (losses) / profit</u>	<u>Total equity</u>
Balance as at 1 January 2023	11,333,333	11,536	(4,690,092)	6,654,777
Loss for the year	--	--	(253,220)	(253,220)
Other comprehensive income for the year	--	--	4,691	4,691
Total comprehensive loss for the year	--	--	(248,529)	(248,529)
Balance as at 31 December 2023	11,333,333	11,536	(4,938,621)	6,406,248
Balance as at 1 January 2024	11,333,333	11,536	(4,938,621)	6,406,248
Loss for the year	--	--	(1,134,565)	(1,134,565)
Other comprehensive loss for the year	--	--	(3,027)	(3,027)
Total comprehensive loss for the year	--	--	(1,137,592)	(1,137,592)
Absorption of losses by capital decrease (Refer Note 1)	(6,100,734)	--	6,100,734	--
Transaction cost arising from capital decrease	--	--	(1,745)	(1,745)
Balance as at 31 December 2024	5,232,599	11,536	22,776	5,266,911


Chairman Board of Directors


Chief Executive Officer


Chief Financial Officer

The attached notes 1 to 40 form part of these consolidated financial statements.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS

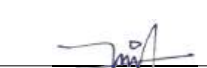
For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

	Notes	2024	2023
OPERATING ACTIVITIES			
Loss before zakat		(1,058,533)	(208,220)
<u>Adjustments for:</u>			
Depreciation on property and equipment	13	189,272	193,971
Depreciation on investment properties	15	48,799	50,796
Depreciation on right-of-use assets	14	12,338	11,118
Impairment (reversal) / loss on financial and contract assets	19, 20	(69,813)	19,115
Amortization	16	1,787	685
Financial charges	10	620,452	483,847
Share of results of equity accounted investees	17	92,832	(1,736)
Financial income		(2,857)	(2,110)
Interest income on unwinding of unbilled revenue		(13,732)	(14,041)
Fair value gain on derivative financial liability	25(g)	(12,705)	(29,043)
Gain on contribution of land to Albilad Tourism Fund - Equity investment		(36,847)	(32,150)
Gain on disposal of investment properties	11	(31,386)	(77,768)
Impairment loss / (reversal) on investment properties	15	1,094	(2,546)
Capital work in progress write-off	13	--	5,529
Interest income on unwinding of employees' receivable – home ownership scheme		(1,744)	(6,204)
Provision for employees benefit obligations	27	11,380	11,992
Gain on disposal of property and equipment	11	--	(3,010)
Impairment reversal on development properties	18	(1,453)	(6,770)
Reversal of provision no longer required	11	--	(44,200)
Free of cost land transfer	11.3	(4,273)	--
		(255,389)	349,255
<u>Changes in operating assets and liabilities:</u>			
Development properties	18	(13,242)	131,451
Employees' receivable – home ownership scheme	22	6,015	8,948
Unbilled revenue	20	232,641	188,719
Trade receivables and other current assets	19	(102,591)	(176,705)
Contract liabilities	29	(44,694)	(274,289)
Trade and other payables	28	6,196	(292,007)
Other provisions	32	19,155	(108,519)
Restricted cash balances	21	(353)	48,316
Addition to right-of-use assets	14	(3,250)	(8,611)
Cash used in operations		(155,512)	(133,442)
Financial charges paid on loan and borrowings		(39,382)	(192,914)
	28 &		
Zakat paid	30	(38,141)	(9,720)
Employee benefit obligations paid	27	(5,468)	(8,681)
Net cash used in operating activities		(238,503)	(344,757)


Chairman Board of Directors


Chief Executive Officer


Chief Financial Officer

The attached notes 1 to 40 form part of these consolidated financial statements.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

	Notes	2024	2023
INVESTING ACTIVITIES			
Additions to property and equipment	13	(255,768)	(53,785)
Additions to investment properties	15	(13,241)	(1,037)
Financial income		2,857	2,110
Proceeds from sale of investment properties		43,352	90,767
Additions to intangible assets	16	(1,104)	(74)
Proceeds from sale of property and equipment		--	5,000
Net cash (used in) / generated from investing activities		(223,904)	42,981
FINANCING ACTIVITIES			
Proceeds from loans and borrowings	25	550,000	450,000
Repayments of loans and borrowings	26	--	(51,288)
Principal element of lease repayments	14.2	(14,303)	--
Net cash generated from financing activities		535,697	398,712
Net increase in cash and cash equivalents		73,290	96,936
Cash and cash equivalents at the beginning of the year		179,077	82,141
Cash and cash equivalents at the end of the year	21	252,367	179,077
Non-cash supplementary information	35		


Chairman Board of Directors


Chief Executive Officer


Chief Financial Officer

The attached notes 1 to 40 form part of these consolidated financial statements.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

1. GENERAL INFORMATION

Emaar The Economic City (the “Company” or the “Parent Company”) is a Saudi Joint Stock Company incorporated and operating in the Kingdom of Saudi Arabia under Ministerial Decision No. 2533, dated 3 Ramadan 1427H, corresponding to 21 September 2006. The Company obtained its initial Commercial Registration (“CR”) number 4030164269 on 8 Ramadan 1427H, corresponding to 26 September 2006. The registered office of the Company has been shifted to Rabigh with a revised Commercial Registration No. 4602005884, dated 6 Rabi Awal 1436H, corresponding to 28 December 2014.

The Company is engaged in the development of real estate in the economic or other zones and other development activities including infrastructures, promotion, marketing and sale of land within development areas, transfer/lease of land, development of buildings/housing units, construction on behalf of other parties, lease of real estate for different purposes, operate educational institutions and hotels. The main activity of the Company is the development of the King Abdullah Economic City (“KAEC”).

These consolidated financial statements include the results, assets and liabilities of the following registered branches of the Group:

<u>Branch</u>	<u>CR number</u>
Jeddah	4030164269
Riyadh	1010937549
Rabigh	4602005884

These consolidated financial statements comprise the financial statements of the Company and its subsidiaries (together referred to as the ‘Group’). The subsidiaries have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The following subsidiaries are primarily involved in development, investments, marketing, sale/lease, operations and maintenance of properties, providing higher education and establishment of companies:

<u>Name</u>	<u>Country of incorporation</u>	<u>Year of incorporation</u>	<u>Effective ownership percentage as at 31 December (directly or indirectly)</u>		<u>Nature of activities</u>
			<u>2024</u>	<u>2023</u>	
Economic Cities Investments Company Limited (“ECIC”)	Kingdom of Saudi Arabia	2010	100%	100%	Buying, selling and management of real estate properties and operations of educational and technical institutions.
Industrial Zones Development Company Limited (“IZDCL”)	Kingdom of Saudi Arabia	2011	100%	100%	Sale/lease, investment, development of real estate development in industrial valley in KAEC.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

1. GENERAL INFORMATION (continued)

Name	Country of incorporation	Year of incorporation	Effective ownership percentage as at 31 December (directly or indirectly)		Nature of activities
			2024	2023	
Economic Cities Real Estate Properties Operation and Management Company ("REOM")	Kingdom of Saudi Arabia	2013	100%	100%	Own, purchase, sale, invest, and lease of commercial properties.
Economic Cities Pioneer Real Estate Management Company ("REM")	Kingdom of Saudi Arabia	2013	100%	100%	Construction, management, development, operation, lease of residential properties. Own, purchase, sale, investment, development and marketing of real estate development in KAEC.
Economic Cities Real Estate Development Company ("RED")	Kingdom of Saudi Arabia	2013	100%	100%	Construct and operate business educational institute in KAEC.
Emaar Knowledge Company Limited ("EKC")	Kingdom of Saudi Arabia	2015	100%	100%	

Going Concern

The Group incurred a net loss of SR 1,135 million during the year ended 31 December 2024 (31 December 2023: loss of SR 253 million) and as of that date its current liabilities exceeded its current assets by SR 7,750 million (31 December 2023: current liabilities exceed current assets by SR 6,777 million). In addition to this, the Group has not complied with the requirements of covenants related to long-term borrowing facilities during the year ended 31 December 2024, resulting in borrowings with outstanding balance of SR 2,461 million (also see Note 25) as at 31 December 2024 (31 December 2023: SR 2,361 million) being immediately due and payable on demand in accordance with the terms and conditions of the borrowing agreements. These conditions, along with certain other events as disclosed in the subsequent paragraphs, indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

King Abdullah Economic City ("KAEC" or the "City") was announced in 2005, and development began in 2006. The City is intended to be a hub for various economic sectors, including industry, logistics, and tourism. It is planned to include residential areas, commercial centers, and other amenities, such as schools, hospitals, and recreational facilities. KAEC has faced challenges related to investment and development, besides logistical and infrastructure challenges. Building a city from scratch on a large scale is a complex undertaking. However, over the years, the Group has done significant development in the City. Apart from the Industrial Valley, the City has six distinctive residential districts each with its unique construction, location and facilities. Further, the City has multiple fully developed and functional facilities like luxury hotels, 18-hole championship golf course, resorts, beaches, a cinema, yacht club, karting center, lagoon campsite, art center, retail, schools, college, medical facilities, labor village etc. The Group is currently going through a restructuring and is focusing on the following:

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

1. GENERAL INFORMATION (continued)

Going Concern (continued)

a) Industrial Valley and Special Economic Zone (SEZ)

KAEC's Industrial Valley ("IV") is considered one of the most sought-after industrial and logistics destinations in the country benefiting from the close proximity to the King Abdullah Port ("KAP" or the "Port"), one of the largest and most advanced seaports in the region.

The sales and leasing activities for land in IV are demonstrating a positive trend over the past three years, which exhibit the increased demand in the area and reflects the increasing interest in the industrial warehousing and logistics sector as an asset class in the Kingdom of Saudi Arabia as the government has been trying to diversify the economy.

The direct link between the IV and King Abdullah Port in KAEC makes the IV a global logistics hub. It incorporates five industrial clusters: FMCG/foods, logistics, pharmaceuticals, plastics, and building materials. Additionally, it provides ready industrial lands connected to a state-of-the art infrastructure.

The IV is also now becoming a hub for Electric Vehicles (EV) and other automotive manufacturing companies in the Kingdom of Saudi Arabia.

Also, there are other auto vehicle manufacturing companies which are already operating in the IV. Further, the Group is currently in discussion with other local entities, interested in establishing an auto parts business, for sale of land.

On 13 April 2023, the Council of Economic and Development Affairs announced four Special Economic Zones (SEZ) in the Kingdom of Saudi Arabia, which also includes KAEC.

The SEZ will help KAEC's primary objective, which is to stimulate growth, boost residency rates and create economic activity within entire city. KAEC has access to geostrategic location at the heart of global trade routes, global trade passes through the Red Sea and companies can easily connect into global supply chains here, utilizing existing, world-class infrastructure. A 60 square- kilometer area has been allocated for the landmark SEZ in KAEC, near Industrial Valley and King Abdullah Port, to provide businesses in premise a clear path to smooth and successful commercial activity. The SEZ will also provide tremendous opportunities for developing the local economy, generating jobs, stimulating exports, attracting FDI and localizing supply chains, in line with the Kingdom's national industrial strategy.

b) Non-Industrial Sector Development

In addition to the development of light industrial and logistics sectors in the Industrial Valley and SEZ, KAEC is also aiming to attract knowledge-based sectors such as training, education, and technology services. The city has already attracted several training companies and academies to support the tourism industry, and can capitalize on its connectivity to KAUST to support innovation and R&D for its industrial and logistics tenants. On the technology side, the city is well suited as a backup, disaster recovery and data center location, owing to its submarine cable connectivity and secondary location away from the major KSA metro areas. As technology services industries adopt a more remote/hybrid work culture, KAEC is also a suitable location to attract technology talent given the city's lifestyle advantages, yet short commute to major cities in the western region, such as Jeddah. It is also anticipated that the growth of KAP, IV and SEZ will create significant demand for technology services in the city.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

1. GENERAL INFORMATION (continued)

Going Concern (continued)

c) Tourism

The Group is also working on making KAEC a leading Saudi tourist destination and to provide tourists with a wide-ranging leisure offering. KAEC will be positioned as a midscale to upper upscale leisure destination, capitalizing on pristine Red Sea coastline and leisure assets including a world-class championship golf course, marina, exhibition center, motor track (in development) and other assets/activities on the ground. In the coming years, the Group intends to attract and/or partner with third party developers to develop additional hotels and resorts in the city. The city's aspirations in tourism are closely associated with the country's tourism ambitions as part of Vision 2030.

Aside from the sector focus of KAEC, going forward the Group will be much more focused on its role as master planner, master developer and primary infrastructure developer for KAEC, dedicating most of its efforts and resources on land development. In a departure from its past strategy, the Group will be very selective in its vertical real estate development and asset management activities, and will primarily rely on multiple third-party developers to build up the city.

In asset management, the Group will aim to divest from some of its hospitality and leisure assets, in order to simplify its operations and create a level playing field for asset operators in the city. The sale of these assets will also support the financial restructuring efforts in the coming twelve-month period, as outlined below (see Collection from Existing Sales and Asset Divestment). In future, the Group may participate selectively in the asset development and management business (e.g. hospitality) through partnerships with other developers, along similar lines as the Rixos Emerald Shores projects outlined below. Overall, the Group is expected to benefit from the simplification of its business activities from several perspectives including financial (more capital efficient and higher risk-adjusted returns), operational and risk management.

The Group has signed a framework cooperation agreement with the Tourism Development Fund, "FTG Development Company", Albilad Investment Company and "Ekofine Holding BV" to establish a SR 1.8 billion closed end private investment fund ("Fund"). The Fund will be responsible to develop and operate a five-star comprehensive resort and hotel with a water park and luxury overwater villas under the brand of Rixos, one of the trademarks owned by Accor International. The Rixos Emerald Shores project is one of the largest tourist resorts targeted to be established in KAEC and is unique in the Kingdom of Saudi Arabia as it is planned that the resort will be constructed on a land.

EMAAR THE ECONOMIC CITY
 (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

1. GENERAL INFORMATION (continued)
Going concern plan

The Group had in the past significantly reduced its development activities pursuant to the continued overall lower economic activity in KAEC. Debt financing has been utilized to fund the development activities in KAEC and working capital requirements of the Group. The projected operating cash flows of the Group, for the next twelve-months, are insufficient to meet the repayment of debt and other obligations therefore the successful execution of management's plans to generate sufficient cash flows from debt restructuring, additional funding from shareholders and the sale of properties is important to meet both the Group's obligations when they become due and to continue its operations without significant curtailment.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

As at 31 December 2024	Within 1			Over 5	Total
	year	1-2 years	2-5 years	years	contractual cash flows
Loans and borrowings	7,871,117	--	--	--	7,871,117
Trade and other payables	973,190	--	--	--	973,190
Short term borrowings	161,386	--	--	--	161,386
Lease liabilities	53,102	3,902	21,347	--	78,351
Total	9,058,795	3,902	21,347	--	9,084,044

In assessing the appropriateness of applying the going concern basis in the preparation of these consolidated financial statements, the Group's management has developed a plan which covers a period of at least twelve-months from 31 December 2024 to enable the Group to meet both its obligations as they become due and to continue its operations, without significant curtailment, as a going concern in both the short and long term.

Management has concluded that the Group will not be able to fully satisfy its cash requirements from the sale of properties alone and, accordingly, in such a scenario, the Group has already initiated discussions to restructure its borrowing facilities, which are elaborated below.

The plan comprises the Group's liquidity and forecasts cash flows taking into account reasonably possible outcomes over a fifteen-month period from 31 December 2024. As per the forecasted cash flows, management expects that there will be no loan repayment in the next 15 months. The Group has a Board approved business transformation plan and expects that it will be able to restructure all of its loan agreements after submission of this plans to the lenders.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

1. GENERAL INFORMATION (continued)

Going concern plan (continued)

This plan principally includes:

<u>Plan</u>	<u>Description</u>	<u>Amount (SR)</u>	<u>Details</u>
Debt restructuring/ Conversion	Loan due to Ministry of Finance ("MoF") novated to PIF - Note 25	2,912 million	On 5 September 2024, the MoF agreed to the Group's request to reschedule the loan by granting a one-year grace period until next instalment on 01 June 2025. On 7 September 2024, the 2nd novation agreement was signed between the Group, Public Investment fund ("PIF") and MoF wherein they agreed on the novation of remainder loan balance due to MoF, amounting to SAR 2,912 million (the novation amount) from MoF to PIF including accrued commission as of 01 June 2024. Further, this novation agreement has been approved by the Company's Board of Directors on 07 September 2024.
Debt restructuring	Loan due to local banks - Note 25	3,753 million	The Group's obligations against lenders and banks carry financial covenants in respect of loans amounting to SR 3,753 million, disclosed in Note 25. During 2022, the Group did not comply with the requirements of covenants relating to long-term borrowing facilities. This position is unchanged in 2024. Consequently, the management has classified the outstanding obligation under current liabilities as at 31 December 2024. The Group has prepared a detailed business transformation plan and expects that it will be able to restructure all of its loan agreements after submission of the business transformation plan to the lenders. On 7th September 2024, the Company signed a non-binding term sheet to reschedule its financing agreements amounting to SAR 3,471 with Alinma Bank, Saudi Awwal Bank, Banque Saudi Fransi and The Saudi National Bank (together, the "Banks") under one common terms arrangement. The unused balance of the short-term borrowings facility as at 31 December 2024 amounted to SR 150 million (31 December 2023: SR 126.5 million).

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

1. GENERAL INFORMATION (continued)

Going concern plan (continued)

<u>Plan</u>	<u>Description</u>	<u>Amount (SR)</u>	<u>Details</u>
Debt Conversion	Loan from Public Investment Fund ("PIF") - Note 25	1,000 million	During February 2023, the Group signed a Term Loan Facility with one of its substantial shareholders, PIF, for up to SR 1,000 million to be repaid after 21 months through a single bullet payment at maturity. The financial costs of the facility are based on SIBOR + spread. The loan contains a conversion option to equity, exercisable by PIF, subject to certain required approvals under the applicable laws and regulations. The loan is secured against certain real estate assets within KAEC. As of 30 June 2024, management has fully drawn down this facility. On 7 September 2024, the Group and PIF entered into conversion agreement under which all loan due to PIF would be converted into equity. Subsequent to the year end, addendum to the conversion agreement has been signed with PIF (refer Note 39).
Additional Financing	Loan from Public Investment Fund ("PIF") - Note 25	1,000 million	During September 2024, the Group signed a non-binding Term sheet with one of its substantial shareholders, PIF, for up to SR 1,000 million with a conversion option to equity, exercisable by PIF, subject to certain required approvals under the applicable laws and regulations. The loan facility will be used to finance critical strategic capital expenditures of the Group to enable revenue generation.

Optimization Plan

On 8 September 2024, the Group announced its Capital Optimization Plan aimed at strengthening its ability to pursue future growth initiatives. Key components of the plan include: (a) restructuring of bank debts amounting to SR 3,471 million, (b) securing a new shareholder loan of SR 1,000 million, (c) reducing capital from SR 11,333 million to SR 5,702 million, and (d) converting SR 3,972.4 million of debt owed to the PIF into ordinary shares.

Debt Conversion

On 7 September 2024, the Group has signed loan conversion agreement with PIF, and the Board of Directors of the Group recommended to the shareholders to increase the Company's share capital through converting loan due to PIF amounting to SR 3,972.4 million, which includes SR 2,911.6 million loan novated from MoF (refer above and Note 25). Subsequent to the year end, addendum to the conversion agreement has been signed with PIF (refer Note 39).

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

1. GENERAL INFORMATION (continued)

Going concern plan (continued)

Capital Reduction

The Board of Directors of the Group on 8 September 2024 recommended shareholders to decrease the share capital of the Company from SR 11,333,333,340 (Eleven billion three hundred thirty-three million three hundred thirty-three thousand three hundred forty Saudi Riyals) to SR 5,702,171,690 (five billion seven hundred two million one hundred seventy-one thousand six hundred ninety Saudi Riyals) through cancelling five hundred sixty-three million one hundred sixteen thousand one hundred sixty-five (563,116,165) shares of the Company, by cancelling (0.4969) share for every one (1) share owned, to extinguish the accumulated losses.

The Board of Directors of the Group on 26 October 2024 issued a revised resolution to amend the above recommendation to decrease the share capital of the Company from SR 11,333,333,340 (Eleven billion three hundred thirty-three million three hundred thirty-three thousand three hundred forty Saudi Riyals) to SR 5,232,599,090 (five billion two hundred thirty two million five hundred ninety-nine thousand ninety Saudi Riyals) through cancelling six hundred ten million seventy-three thousand four hundred twenty-five (610,073,425) shares of the Company, by cancelling (0.5383) share for every one (1) share owned, to extinguish the accumulated losses.

The Group submitted an application to the Capital Market Authority (CMA) for approval of the Capital Reduction in accordance with applicable laws, which was subsequently granted by CMA.

Following this, the Group convened an Extraordinary General Assembly (EGA) meeting for the Company's shareholders to vote on the capital reduction. The proposal was approved on 31 December 2024. Consequently, the consolidated financial statements for the year ended 31 December 2024, reflect the impact of the capital reduction.

Based on the above plan, the Group has prepared a detailed cash flow forecast for the fifteen-months period from the reporting date which indicates a net positive cash flow position, subject to non-repayment of any loan outstanding amounts and additional shareholder funding. The management continues to believe projected cash flows plan through debt restructuring, covenant waivers and, raising additional funding from shareholders, debt conversion, and sale of properties is probable and these plans will be successful and it remains appropriate to prepare the consolidated financial statements on a going concern basis as the above plan mitigates any shortfall that may arise during the next 12 months. The financial statements do not contain any adjustments which may be required if the Group was unable to continue as a going concern. In the event that there are changes to the circumstances described above, further enhanced disclosures in the financial statements of the Group for subsequent periods may be required.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board ("IFRS Standards") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

2. BASIS OF PREPARATION (continued)

2.2 Basis of measurement

The accompanying consolidated financial statements have been prepared under the historical cost basis, unless stated otherwise, using the accrual basis of accounting and the going concern concept.

2.3 Functional and presentation currency

The Group's consolidated financial statements are presented in Saudi Riyals, which is also the functional currency of all entities within the Group. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The presentation currency of the Group is also Saudi Riyals. All figures are rounded off to the nearest Saudi Riyals thousands except when otherwise indicated.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

The key assumption concerning the future and other key sources of estimation uncertainty at the consolidated statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

3.1 Judgements

Satisfaction of performance obligations

The Group considers that the use of the input method, which requires revenue recognition based on the Group's efforts to the satisfaction of the performance obligation, provides the best reference of revenue actually earned. In applying the input method, the Group estimates the cost to complete the projects in order to determine the amount of the revenue to be recognized.

Classification of development property and operating cycle

Management exercise judgement in determining whether it will be able to realise its development property during its normal operating cycle, accordingly, development property projects which are launched are expected to be realized by the Group during its normal operating cycle and are classified as current asset while unlaunched projects are not expected to be realised during normal operating cycle of the Group and are classified as non-current asset.

Going Concern

The Group's management exercise judgement in assessing of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Therefore, the consolidated financial statements continue to be prepared on the going concern basis. Refer Note 1.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.1 Judgements (continued)

Classification of infrastructure assets

The Group's management has made an assessment that the primary infrastructure of the Group is controlled by the Group and benefits the operations of the Group as a whole. Accordingly, the primary infrastructure has been classified as 'property and equipment' in the consolidated financial statements.

The infrastructure assets include main roads, sidewalks and pavements, signals, bridges, electric substations, electric lines, landscaping, drainage, sewerage lines which have been built around the City (the "Primary infrastructure").

Management has evaluated the following aspects to ascertain whether the primary infrastructure assets meet the definition of asset to the Group;

a) Rights to the infrastructure assets

The Group holds the control to the infrastructure assets and has no contractual obligation to transfer control over the primary infrastructure assets to any regulatory authority or customers. Where the customers use the primary infrastructure, for example, main roads, the Group has judged the customers have been provided with right of way over the Land of the Group and this does not transfer control to the customers.

b) Potential to produce economic benefit

The Group's infrastructure assets provide benefit to all the revenue streams of the Group as the assets provide support to the operations of the Group.

c) Control

The Group has the present ability to direct the use of the primary infrastructure assets.

Based on the above assessment, management has judged that the Group controls and benefits from the primary infrastructure assets and accordingly the primary infrastructure should be recognized as an asset and classified as 'property and equipment' in the consolidated financial statements.

3.2 Estimations and assumptions

Provision for expected credit losses (ECLs) of trade receivables and unbilled revenue

The Group uses a provision matrix to calculate ECLs for trade receivables and unbilled revenue. The provision matrix is initially based on the Group's historically observed rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information at each reporting date. The following components have a major impact on ECL allowance: definition of default, significant increase in credit risk, probability of default (PD), exposure at default (EAD) and loss given default (LGD), as well as models of macro-economic scenarios used as forward-looking information. The Group regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience. The information about the ECL on the Group's trade receivables is disclosed in Note 19 and 20.

An increase or decrease of 10% in the loss rates (PD and LGDs) assuming macro-economic factors remain the same, will result in an increase or a decrease of SR 73.67 million, respectively, in the ECL allowance.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.2 Estimations and assumptions (continued)

Useful lives of property and equipment and investment properties

The Group's management determines the estimated useful lives of its property and equipment and investment properties for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. The management periodically reviews estimated useful lives and the depreciation method to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

Cost to complete the projects

The Group estimates the cost to complete the projects in order to determine the cost attributable to revenue being recognized. These estimates include, amongst other items, the construction costs, variation orders and the cost of meeting other contractual obligations to the customers. Such estimates are reviewed at regular intervals. Any subsequent changes in the estimated cost to complete may affect the results of the subsequent periods.

Estimation of recoverable amount of property and equipment, right-of-use assets and investment properties

Property and equipment and investment properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. For details on the impairment assessment methodology, see Notes 13, 14 and 15.

Estimation of net realisable value of development properties

Development properties are stated at the lower of cost and net realisable value ("NRV"). NRV is estimated selling prices in the ordinary course of business less estimated cost of completion and estimated cost to make the sale. NRV is assessed with reference to market conditions, planned future mode of disposal and recoverable value of the properties at the reporting date under planned mode of disposal. NRV for these properties are assessed internally by the Group in the light of recent market transactions. Estimated selling price of land parcels is assessed with reference to market prices at the reporting date for similar properties after adjustment for differences in location, size, development status and quality. Estimated costs to complete development are deducted from the estimated selling price to arrive at NRV. For details on the estimation of net realizable value, see Note 18.

4. MATERIAL ACCOUNTING POLICIES

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except if mentioned otherwise.

4.1 Basis of Consolidation

(a) Subsidiaries

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2024. Subsidiaries are all entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

4. MATERIAL ACCOUNTING POLICIES (continued)

4.1 Basis of Consolidation (continued)

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and;
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other shareholders of the investees;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus on statement of profit or loss and other comprehensive income; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

EMAAR THE ECONOMIC CITY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

4. MATERIAL ACCOUNTING POLICIES (continued)

4.1 Basis of Consolidation (continued)

The financial statements of subsidiaries are prepared for the same reporting period using the same accounting framework as the Group. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

(b) Investment in equity accounted investees (associate and joint venture)

Associate is an entity in which the Group has significant influence, but not control, over the financial and operating policies. Joint venture is an entity over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. The Group's investment in associate and joint venture are accounted for using the equity method of accounting. Under the equity method of accounting, the investment in associate and joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. The consolidated statement of profit or loss and other comprehensive income reflects the Group's share of the results of operations of the associate and joint venture. Any change in other comprehensive income ("OCI") of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity.

Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

The financial statements of the associate and joint venture are prepared for the same reporting period and the same accounting framework as the Group.

After application of the equity method of accounting, the Group determines whether it is necessary to recognize an impairment loss on its investment in associate or its joint venture. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the loss in the consolidated statement of profit or loss and other comprehensive income.

Refer to Note 17 for information related to equity accounted investees.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in associate or joint venture, the carrying amount of that interest is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2024
(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

4. MATERIAL ACCOUNTING POLICIES (continued)

4.2 Current versus non-current classification

Assets

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- (a) Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- (b) Held primarily for the purpose of trading;
- (c) Expected to be realized within twelve months after the reporting period; or
- (d) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

Liabilities

A liability is current when:

- (a) Expected to be settled in the normal operating cycle;
- (b) Held primarily for the purpose of trading;
- (c) Due to be settled within twelve months after the reporting period; or
- (d) No unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

4.3 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.

Revenue is recognized in the consolidated statement of profit or loss and other comprehensive income to the extent that it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

Revenue is recognised, when the Group satisfies the performance obligations as specified in the contract with the customer. Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over properties to a customer and when the specific criteria have been met for each of the Group's activities.

When the Group satisfies a performance obligation by delivering the promised goods or services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount billed to the customer exceeds the amount of revenue recognized, this gives rise to a contract liability and is recognized as advance from customers within accrued and other liabilities.

The Group recognizes revenue from contracts with customers based on a five-step model as set out in IFRS 15 – Revenue from contracts with customers:

EMAAR THE ECONOMIC CITY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

4. MATERIAL ACCOUNTING POLICIES (continued)

4.3 Revenue recognition (continued)

When the Group satisfies a performance obligation by delivering the promised goods or services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount billed to the customer exceeds the amount of revenue recognized, this gives rise to a contract liability and is recognized as advance from customers within accrued and other liabilities.

The Group recognizes revenue from contracts with customers based on a five-step model as set out in IFRS 15:

- Step 1. Identify the contract with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.
- Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- Step 3. Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- Step 5. Recognize revenue when (or as) the entity satisfies a performance obligation.

If the consideration promised in a contract includes a variable amount, the Group estimates the amount of consideration to which the Group will be entitled in exchange for transferring the promised goods or services to a customer. The promised consideration can vary if the Group's entitlement to the consideration is contingent on the occurrence or non-occurrence of a future event. An amount of consideration can vary due to discounts, rebates, refunds, credits, incentives, penalties or other similar items. The variability relating to the consideration promised by a customer, if any, is explicitly stated in the contract. Accordingly, the Group estimates the amount of variable consideration by using the most likely amount in accordance with the terms of the contract.

For arrangements that include deferred payment terms that exceed twelve months, the Group adjusts the transaction price for the financing component, with the impact recognised as interest income using the effective interest rate method over the period of the financing.

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

1. The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
2. The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
3. The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to-date.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

4. MATERIAL ACCOUNTING POLICIES (continued)

4.3 Revenue recognition (continued)

For performance obligations, where none of the above conditions are met, revenue is recognized at the point in time at which the performance obligation is satisfied.

Sale of development properties

Revenue on sale of development properties is recognised when control over the properties has been transferred to the customer, which is considered to be over time, as the performance obligation is satisfied over a period of time. The performance obligations in these arrangements are normally made up of several promises which encompass the unit, land and infrastructure. These promises are not distinct in the context of each contract and are considered to be highly interrelated and interdependent on each other, therefore the sale of property consisting of units or land is typically considered one performance obligation.

Invoices are billed as per the payment schedule agreed with the customers which are payable within 30 days.

The Group does not create an asset with an alternative use to the Group and usually has an enforceable right to payment for performance completed to date.

The Group considers that the use of the input method, which requires revenue recognition based on the Group's efforts to the satisfaction of the performance obligation, provides the best reference of revenue actually earned. In applying the input method, the Group estimates the cost to complete the projects in order to determine the amount of the revenue to be recognized and the input method faithfully depicts the development of the properties.

Rental income

Rental income from investment properties is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred or incentive in negotiating and arranging an operating lease is considered an integral part of the carrying amount of the leased contract and recognized on a straight-line basis over the lease term.

Service revenue

Revenue from rendering of services is recognized over a period of time when the services are provided to customers.

Invoices are billed on a monthly basis to the customers which are payable within 30 days.

Hospitality and leisure revenue

It comprises of revenue from rooms, food and beverages and other associated services provided. The revenue is recognized net of discount and applicable taxes on an accrual basis when the services are rendered. In case of revenue from rooms and other associated services, performance obligation is satisfied over time and revenue is recognized on a daily basis, as the rooms are occupied, and services are rendered, which faithfully depicts the services provided to the customer. In case of foods and beverages, revenue is recognised at a point in time.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

4. MATERIAL ACCOUNTING POLICIES (continued)

4.3 Revenue recognition (continued)

Hospitality and leisure revenue (continued)

Invoices are billed to the customers when the services are rendered. Invoices are payable by the individual customer as the invoices are billed. For corporate customers, invoices are payable within 30 days.

Leisure revenue comprises revenue from golf membership and other entertainment activities. Revenue from golf membership is recognised over time, as the performance obligation is satisfied which faithfully depicts the services provided to the customer. Revenue from other entertainment activities is recognised at a point in time.

Annual golf membership fees and payment for other entertainment is received in advance.

Education revenue

It comprises of revenue from tuition fees and other fees. The revenue is recognized net of discount and applicable taxes on an accrual basis when the services are rendered. In case of revenue from tuition fees, performance obligation is satisfied over time and revenue is recognized on a monthly basis based on academic year.

In case of other fees, revenue is recognised at a point in time.

Invoices are billed as per the payment terms agreed with the customers in respect of tuition fees which are payable within 30 days.

For other fees, invoices are billed to the customers when the services are rendered. Invoices are payable by the individual customer as the invoices are generated.

Significant financing component

In case of sale of development properties and investment properties where deferred payment terms are agreed in contracts with customers, the transaction price is adjusted to reflect the impact of significant financing component.

4.4 Cost of revenue

Cost of revenue includes the cost of land, development and other service-related costs. The cost of revenue is based on the proportion of the actual cost incurred to date related to sold units to the total costs incurred on the project. The costs of revenues from the conduct of facilities management is based on actual cost of providing the services.

4.5 Selling, marketing and general and administrative expenses

Selling and marketing and general and administrative expenses include direct and indirect costs not specifically part of cost of revenue. Selling and marketing expenses are those arising from the Group's efforts underlying the sales and marketing functions. All other expenses, except for financial charges, depreciation, amortization and impairment loss are classified as general and administrative expenses. Allocations of common expenses between cost of revenue, selling and marketing and general and administrative expenses, when required, are made on a consistent basis.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

4. MATERIAL ACCOUNTING POLICIES (continued)

4.6 Zakat and taxes

Zakat

The Group is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority (the “ZATCA”) in the Kingdom of Saudi Arabia. Provision for Zakat for the Company and Zakat related to the Company’s ownership in the Saudi Arabian subsidiaries is charged to the consolidated statement of profit or loss and other comprehensive income. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

Withholding tax

The Group withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under the Saudi Arabian Income Tax Law. Such withholding tax is recorded as a liability.

Value added tax (“VAT”) and real estate transaction tax

During the year 2020, the ZATCA announced that pursuant to the Royal Decree No. (A/84) dated 1 October 2020, the disposal of real estate in the Kingdom of Saudi Arabia by way of certain transactions resulting in a transfer of legal ownership or possession will be VAT exempt and subject to a 5% real estate transaction tax (“RETT”). RETT is applicable on the transaction that took place on or after 4 October 2020. However, as per the RETT law, the licensed real estate developer can recover input VAT on the property sold after 4 October 2020.

Other than disposal of real estate transactions covered under RETT law, the Group is subject to Value Added Tax (“VAT”) for the supply of other goods and services in accordance with the VAT regulations prevailing in the Kingdom of Saudi Arabia. The amount of VAT liability is determined by applying the applicable tax rate to the value of supply (“Output VAT”) less VAT paid on purchases other than claimable under RETT law (“Input VAT”). The Group reports revenue and purchases net of VAT for all the periods presented in the consolidated statement of profit or loss and other comprehensive income. However, Input VAT related to exempt supplies, is added to the cost of purchases whereas Input VAT related to mixed supplies is claimed using the proportional default rate formula.

4.7 Financial income and financial costs

Financial income and expenses are recognised within financial income and financial costs in statement of profit or loss and other comprehensive income using the effective interest rate method, except for borrowing costs relating to qualifying assets, which are capitalised as part of the cost of that asset.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the financial income or financial expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, pre-payment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

4. MATERIAL ACCOUNTING POLICIES (continued)

4.7 Financial income and financial costs (continued)

Income on Murabaha term deposits with banks is recognized on an effective yield basis.

4.8 Foreign currencies

Functional and presentational currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the respective entity operates (the "functional currency"). The consolidated financial statements are presented in "Saudi Riyals", which is the Group's presentation as well as functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange ruling at the reporting date. All differences arising on settlement or translation of monetary items are taken to the consolidated statement of profit or loss and other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of a gain or loss on change in fair value of the item.

4.9 Property and equipment

Recognition and measurement

Property and equipment are recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the property and equipment will flow to the Group, and the cost of the asset can be measured reliably. Property and equipment are recognised and measured initially at cost. Cost includes the fair value of the consideration given to acquire the asset (net of discounts and rebates) and any directly attributable cost, such as site preparation cost, delivery, installation costs, relevant professional fees and the estimated cost of dismantling and removing the asset and restoring the site (to the extent that such cost is recognised as a provision). Such cost also includes the borrowing costs for long-term construction projects if the recognition criteria are met.

When parts of property and equipment are significant in cost in comparison to the total cost of the item and such parts have a useful life different from other parts, the Group recognises such parts as individual assets and depreciate them accordingly.

The Group measures the entire class of property and equipment using cost model. After recognition as an asset, an item of property and equipment is carried as its cost less any accumulated depreciation and impairments, if any.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

4. MATERIAL ACCOUNTING POLICIES (continued)

4.9 Property and equipment (continued)

The cost of replacing a major part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. When significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statement of profit or loss and other comprehensive income as incurred.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognized.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of property and equipment may not be recoverable. Whenever the carrying amount of property and equipment exceeds their recoverable amount, an impairment loss is recognised in the consolidated statement of profit or loss and other comprehensive income. The recoverable amount is the higher of fair value less costs to sell of property and equipment and the value in use.

Reversal of impairment losses other than goodwill impairment recognised in the prior years are recorded when there is an indication that the impairment losses recognised for the property and equipment no longer exist or have reduced.

Depreciation

The depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value. Freehold land and capital work-in-progress are not depreciated. Depreciation is calculated on a straight-line basis over the estimated useful lives of the respective assets. Depreciation methods, useful lives and residual values are reviewed annually and adjusted if required.

Capital work-in-progress (CWIP)

Assets in the course of construction or development are capitalised in the capital work-in-progress account. Capital work in progress are carried at cost less any recognized impairment loss. The cost of an item of capital-work-in-progress comprises its purchase price, construction / development cost and any other directly attributable cost to the construction or acquisition of an item intended by management. When the assets are ready for intended use, the capital work in progress is transferred to the appropriate property and equipment category and is accounted for in accordance with the Group's policies. Capital work-in-progress is measured at cost less any recognised impairment. Capital work-in progress is not depreciated.

EMAAR THE ECONOMIC CITY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

4. MATERIAL ACCOUNTING POLICIES (continued)

4.10 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
 - the Group has the right to operate the asset; or
 - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets:

The Group recognises a right-of-use asset and lease liability at the commencement date of the lease (i.e., the date the underlying asset is available for use). The right-of-use asset is initially measured at cost. Subsequently, it is measured at cost less accumulated depreciation and impairment losses, if any, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date, any initial direct costs incurred and an estimate of costs to dismantle, less any lease incentive received. The estimated useful life of right-of use assets is determined on the same basis as those of property and equipment. The recognised right-of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

4. MATERIAL ACCOUNTING POLICIES (continued)

4.10 Leases (continued)

Lease liabilities:

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liabilities.

Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group has the option, under some of its leases to lease the assets for additional terms of one to five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate ("IBR") is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms and conditions. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. Lease payments are allocated between principal and financial cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Short-term leases and leases of low-value assets:

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less, and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

4. MATERIAL ACCOUNTING POLICIES (continued)

4.10 Leases (continued)

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. The Group enters into leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases. Lease income is recognized in the consolidated statement of profit or loss and other comprehensive income in accordance with the terms of the lease contracts over the lease term on a systematic basis as this method is more representative of the time pattern in which use of benefits are derived from the leased assets. The Group recognises lease income for variable payment that depends on the percentage of sales of the lessor in the period to which it relates to. At the commencement date, the Group assesses whether the lessee is reasonably certain to exercise an option to extend the lease or to purchase the underlying asset, or not to exercise an option to terminate the lease. The Group considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise, or not to exercise, the option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option.

Lease incentives or any escalation in the lease rental are recognized as an integral part of the total lease receivable and accounted for on a straight-line basis over the term of the lease. Contingent rents are recognized as revenue in the period in which they are earned.

4.11 Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs that are directly attributable to the construction of an asset, other than development properties, are capitalized using capitalization rate up to the stage when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed and, thereafter, such costs are charged to the consolidated statement of profit or loss and other comprehensive income. In case of specific borrowings, all such costs, directly attributable to the acquisition or construction of an asset, other than development properties, that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of the cost of the respective asset. The general borrowing cost and specific borrowing which is not eligible for capitalization are expensed in the period in which these are incurred.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

4.12 Investment properties

Investment properties are non-current assets held either to earn rental income or for capital appreciation or for both, as well as those held for undetermined future use but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost less accumulated depreciation and impairment loss, if any. Investment properties are depreciated on a straight-line basis over the estimated useful life of the respective assets. No depreciation is charged on land and capital work-in-progress.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

4. MATERIAL ACCOUNTING POLICIES (continued)

4.12 Investment properties (continued)

Investment properties are derecognized either when they have been disposed off or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated statement of profit or loss and other comprehensive income in the period of derecognition.

Expenses incurred for replacing component of investment properties items, which are accounted for separately are capitalized, and carrying value of replaced component is written off. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of the related investment properties. All other expenses are recognized in the consolidated statement of profit or loss and other comprehensive income when incurred.

If an investment property becomes owner-occupied, it is reclassified to property and equipment. Its carrying amount at the date of reclassification becomes its cost for subsequent accounting as property and equipment. Transfers are made from investment properties to development properties only when there is a change in use evidenced by commencement of development with a view to sell. Such transfers are made at the carrying value of the properties at the date of transfer. The useful lives and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

The Group determines at each reporting date whether there is any objective evidence that the investment properties are impaired. Whenever the carrying amount of an investment property exceeds their recoverable amount, an impairment loss is recognised in the consolidated statement of profit or loss and other comprehensive income. The recoverable amount is the higher of investment property's fair value less cost to sell and the value in use.

Reversal of impairment losses recognised in the prior years is recorded when there is an indication that the impairment losses recognised for the investment property no longer exist or have reduced.

4.13 Trade receivables

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

4.14 Impairment of non-financial assets other than development properties

The Group assess, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit (CGU's) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using appropriate discount rate that reflects current market assessments of the time value of money. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

4. MATERIAL ACCOUNTING POLICIES (continued)

4.14 Impairment of non-financial assets other than development properties (continued)

An assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of profit or loss and other comprehensive income.

Intangible assets with indefinite useful lives are tested for impairment annually at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

4.15 Development properties

Properties acquired, constructed or in the course of construction and development for sale are classified as development properties and are stated at the lower of cost and net realizable value. The cost of development properties generally includes the cost of land, construction and other related expenditure necessary to get the properties ready for sale. Such costs are incurred at specific project wide and allocated to each of the development property unit based on its respective saleable area. Net realizable value is the estimated selling price in the ordinary course of business based on the market prices at the reporting date, less the estimated costs of completion and selling expenses.

The management reviews the carrying values of development properties at each reporting date.

At each reporting date, the management categorizes the development properties as current or non-current based on their expected realisation date during its normally operating cycle, accordingly, management classify launched project in current while the unlaunched projects are classified as non-current.

4.16 Financial instruments

Initial recognition – Financial assets and financial liabilities

An entity shall recognize a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument.

Financial assets

Initial Measurement

At initial recognition, except for the trade receivables which do not contain a significant financing component, the Group measures a financial asset at its fair value. In the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset are added to the fair value of the respective financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated statement of profit or loss and other comprehensive income, if any.

Trade receivables that do not contain a significant financing component or which have a maturity of less than 12 months are measured at the transaction price as per IFRS 15.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

4. MATERIAL ACCOUNTING POLICIES (continued)

4.16 Financial instruments (continued)

Classification and subsequent measurement

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through consolidated statement of other comprehensive income, or through consolidated statement of profit or loss); and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The category most relevant to the Group is financial assets measured at amortized cost.

The Group has not classified any financial asset as measured at fair value through consolidated statement of profit or loss and other comprehensive income.

Financial assets measured at amortized cost

A financial asset shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost include trade receivables, employees' receivable – home ownership scheme, due from related parties, Murabaha term deposits with banks and cash and cash equivalents.

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate ("EIR") method, less impairment (if any). Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

The EIR amortization is included in financial income in the consolidated statement of profit or loss and other comprehensive income. The losses arising from impairment are recognized in the consolidated statement of profit or loss and other comprehensive income.

Reclassification

When and only when, an entity changes its business model for managing financial assets it shall reclassify all affected financial assets in accordance with the above-mentioned classification requirements.

De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the Group's consolidated statement of financial position) when the rights to receive cash flows from the asset have expired, or it transfers substantially all the risks and rewards of ownership of the financial asset.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

4. MATERIAL ACCOUNTING POLICIES (continued)

4.16 Financial instruments (continued)

Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

IFRS 9 requires an entity to follow an expected credit loss (“ECL”) model for the impairment of financial assets. It is no longer necessary for a credit event to have occurred for the recognition of credit losses. Instead, an entity, using expected credit loss model, always accounts for expected credit losses and changes therein at each reporting date. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive.

Expected credit loss shall be measured and provided either at an amount equal to (a) 12 month expected losses; or (b) lifetime expected losses. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for the amounts that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, with a significant financing component, a simplified approach is available, whereby an assessment of increase in credit risk need not be performed at each reporting date. Instead, an entity can choose to provide for the expected losses based on lifetime ECL. The Group has chosen to avail the option of lifetime expected credit losses (“ECL”). Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors (forecasted gross domestic product and inflation rate) specific to the debtors and the economic environment.

For trade receivables with no significant financing component, an entity is required to follow lifetime ECL.

A default on trade receivable occurs when the counterparty fails to make contractual payments within 180 days when they fall due.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of financial assets have occurred.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2024
(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

4. MATERIAL ACCOUNTING POLICIES (continued)

4.16 Financial instruments (continued)

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficult of the debtor;
- a breach of contract such as a default or being more than 180 days past due;
- the restructuring of a loan or advance by the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganizations; or the disappearance of an active market for a security because of financial difficulties.

Financial liabilities

Initial measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through consolidated statement of profit or loss and other comprehensive income, loans and borrowings and payables, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of long-term borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade payables, lease liabilities, accrued expenses and borrowings.

Classification and subsequent measurement

An entity shall classify all financial liabilities as subsequently measured at amortized cost, except for:

- financial liabilities at fair value through consolidated statement of profit or loss and other comprehensive income.
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.
- financial guarantee contracts.
- commitments to provide a loan at a below-market commission rate.
- contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies. Such contingent consideration shall subsequently be measured at fair value with changes recognized in consolidated statement of profit or loss and other comprehensive income.

All of the Group's financial liabilities are subsequently measured at amortized cost using the EIR method, if applicable. Gains and losses are recognized in the consolidated statement of profit or loss and other comprehensive income when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the consolidated statement of profit or loss and other comprehensive income.

Reclassification

The Group cannot reclassify any financial liability.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

4. MATERIAL ACCOUNTING POLICIES (continued)

4.16 Financial instruments (continued)

Classification and subsequent measurement (continued)

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of profit or loss and other comprehensive income.

Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under IFRS 9 Financial Instruments and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

4.17 Offsetting of financial instruments

Financial assets and financial liabilities are off-set and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

4.18 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the EIR method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised for liquidity services and amortised over the period of the facility to which it relates. This fee is presented within bank borrowings and shown as a reduction from total outstanding amount.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or financial costs.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

4. MATERIAL ACCOUNTING POLICIES (continued)

4.18 Borrowings (continued)

When an existing borrowing is replaced by another from the same lender on substantially different terms, or the terms of an existing borrowing are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the profit or loss. If the modification or exchange is not accounted for as an extinguishment (i.e., the modified instrument is not considered substantially different from the original debt instrument), the Group recalculates the borrowing's carrying amount by discounting the new modified cash flows at the original effective interest rate. The difference i.e., the modification gain or loss, if related to finance a qualifying asset are included in borrowing costs and added to the cost of the qualifying asset. Otherwise, it is immediately recognised in the profit or loss.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

4.19 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of profit or loss and other comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost in the consolidated statement of profit or loss and other comprehensive income.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

4.20 Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined benefit plans

The Group maintains an unfunded defined benefit plan for employees' termination / end of service benefits in accordance with the Saudi Arabian Labor Law.

The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefits that employees have earned in the current and prior periods and discounting that amount. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.

EMAAR THE ECONOMIC CITY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

4. MATERIAL ACCOUNTING POLICIES (continued)
4.20 Employee benefits (continued)

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses are recognized immediately in OCI. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. Net interest expense and other expenses related to defined benefit plans are recognized in the consolidated statement of profit or loss and other comprehensive income.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the consolidated statement of profit or loss and other comprehensive income.

For the liability relating to employees' terminal benefits, the actuarial valuation process takes into account the provisions of the Saudi Arabian Labor Law as well as the Group's policy.

The rate used to discount post-employment benefit obligations is determined by reference to market yields at the consolidated statement of financial position date on government bonds issued in the Kingdom of Saudi Arabia.

4.21 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

4.22 Restricted cash

Restricted cash is the deposits that are subject to certain restrictions and not available for general use by the Group. Restricted cash is not part of cash and cash equivalents.

4.23 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash with banks and other short-term highly liquid investments, if any, with original maturities of three months or less, which are subject to an insignificant risk of changes in value.

4.24 Segment reporting

An operating segment is a component of an entity:

- that is engaged in business activities from which it may earn revenue and incur expenses including revenues and expenses that relate to transactions with any of the Group's other components;
- whose operating results are continuously analyzed by chief operating decision maker in order to make decisions related to resource allocation and performance assessment; and
- for which financial information is discretely available.

For further details of business segments, refer Note 34.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

4. MATERIAL ACCOUNTING POLICIES (continued)

4.24 Segment reporting (continued)

A geographical segment is engaged in producing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. Since the Group operates in the Kingdom of Saudi Arabia only, hence, no geographical segments are being presented in these consolidated financial statements.

5. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

New and amended standards adopted by the Group

Several amendments and interpretations apply for the first time in 2024, which are effective for annual periods beginning on or after 1 January 2024 which do not have a material effect on these consolidated financial statements except for amendments to IAS 1 "Disclosure of Accounting Policies" the effect of which have been reflected in these consolidated financial statements.

The group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2024:

<u>Standard / Interpretation</u>	<u>Description</u>
IFRS 16	Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
IAS 1	Classification of liabilities as current or non-current (amendments to IAS 1)
IAS 1	Non-current liabilities with covenants (amendments to IAS 1)
IAS 7 and IFR 7	Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Standards, interpretations and amendments issued but not yet effective

The standards, interpretations and amendments issued, but not yet effective up to the date of issuance of the financial statements are disclosed below. The Company intends to adopt these standards, where applicable, when they become effective.

<u>Standard / Interpretation</u>	<u>Description</u>	<i>Effective from periods beginning on or after the following date</i>
IAS 21	Lack of Exchangeability (Amendments to IAS 21)	January 1, 2025
IFRS 10 and IAS 28	Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	Available for optional adoption / effective date deferred indefinitely
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	January 1, 2027

EMAAR THE ECONOMIC CITY
 (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

6. REVENUE

	31 December 2024	31 December 2023
Revenue from contracts with customers:		
Sale of development properties	121,902	718,716
Utilities and other related services ("City operations")	117,957	117,130
Accommodation	36,916	53,238
Tuition and other fees ("Education")	74,934	56,584
Food and beverages and other related services	13,133	17,208
Leisure services	9,482	10,831
Total	374,324	973,707
Timing of revenue recognition		
Over time	358,904	954,378
Point-in-time (*)	15,420	19,329
Revenue from contract with customers	374,324	973,707
Lease rental income		
Industrial	42,519	47,827
Residential	9,127	9,823
Total lease rental income	51,646	57,650
Total revenue (**)	425,970	1,031,357

(*) Revenue from point-in-time includes food and beverage services amounting to SR 13.13 million and leisure services amounting to SR 2.29 million.

(**) All the revenue from contract with customers is generated within the Kingdom of Saudi Arabia.

The Group has right to payment for performance completed to date, therefore as permitted under IFRS 15, the transaction price allocated to the unsatisfied contracts is not disclosed.

7. COST OF REVENUE

	31 December 2024	31 December 2023
<u>Notes</u>		
Depreciation	225,485	230,255
Cost of development properties sold	32,959	128,137
Salaries, wages and benefits	94,802	85,169
Maintenance	98,859	73,044
Refurbishment cost	19,343	35,603
Utilities	25,337	23,101
Hospitality	21,371	16,144
Impairment reversal on development properties	18 (1,453)	(6,770)
Others	27,815	15,042
	544,518	599,725

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

8. SELLING AND MARKETING EXPENSES

	31 December 2024	31 December 2023
Promotional expenses	8,442	14,549
Salaries and benefits	12,716	22,577
Branding and marketing costs	14,145	2,906
Advertising costs	12,645	2,143
Others	6,967	3,254
	54,915	45,429

9. GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2024	31 December 2023
Salaries and benefits	206,820	174,324
Professional and legal charges	78,837	85,820
Communication and office costs	16,355	14,702
Facility and city management services	6,045	6,766
Repairs and maintenance	4,849	3,199
Depreciation	24,924	25,630
Amortization	1,787	685
Others	13,329	11,038
	352,946	322,164

10. FINANCIAL CHARGES

	31 December 2024	31 December 2023
	Note	
Financial charges on loans and borrowings	615,328	478,465
Financial charges on leases	14 1,999	2,136
Bank charges	3,125	3,246
	620,452	483,847

11. OTHER OPERATING INCOME

	31 December 2024	31 December 2023
Gain on disposal of investment properties (see note (11.1) below)	31,386	77,768
Donation income (see note (11.2) below)	--	37,500
Gain on disposal of property and equipment	--	3,010
Reversal of provision no longer required	--	44,200
Others (See note 11.3)	48,925	15,091
	80,311	177,569

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

11. OTHER OPERATING INCOME (continued)

- 11.1 During the year, the Group has entered into agreements with certain customers for the sale of investment properties resulting in a gain of SR 31.4 million (31 December 2023: SR 77.8 million).
- 11.2 The Group has entered into an agreement (the “Agreement”) with two external parties to develop, finance and operate an academic educational institute (“Institute”) at KAEC. In accordance with the terms of the Agreement, the net life cycle operating loss of the Institute is to be funded by one of the parties to the Agreement, to the extent of USD 58.5 million. In addition, during 2020, an additional funding of USD 16 million has been approved. Consequently, the net operating loss or expenses of the Institute, amounting to Saudi Riyals 35 million, incurred during 2021, has been accounted for as ‘other income’. As at 31 December 2021, the above limit was fully utilized. Accordingly, no reimbursement was made for the net operating loss incurred during 2022. The Group under the Agreement is also entitled to receive an additional amount of USD 100 million. No donation income has been received during the year ended 31 December 2024. (31 December 2023: USD 10 million equivalent to SR 37.5 million).
- 11.3 Other income includes SR 45 million recognized in relation to a court ruling granted in favor of the Group and SAR 4.2 million recognized as a result of reversal of 0.3 million square of land which was gifted to Technical and Vocational Training Corporation (“TVTC”) in 2015.

12. LOSS PER SHARE

Loss per share is calculated by dividing the loss for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year.

The loss per share calculation is given below:

	31 December <u>2024</u>	31 December <u>2023</u>
Loss attributable to ordinary equity holders of the parent	(1,134,565)	(253,220)
Weighted average number of ordinary shares ('000) – (Note 1)	523,260	523,260*
Loss per share (SR) – Basic and diluted	(2.17)	(0.48) *

The Company does not have any dilutive potential share and therefore diluted loss per share is the same as basic loss per share.

* On 31 December 2024, the Company reduced its share capital from SR 1,133,333,334 to SR 523,259,909 (refer Note 1).

In accordance with IAS 33, Earnings Per Share (EPS) for prior period has been retrospectively adjusted to reflect the reduction in the number of shares.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

13. PROPERTY AND EQUIPMENT

The estimated useful lives of the assets for the calculation of depreciation are as follows:

- Buildings 10-50 years
- Heavy equipment & machinery 5-10 years
- Office equipment 2-3 years
- Infrastructure assets 10-30 years
- Furniture and fixtures 4 years
- Motor vehicles 4 years

	Freehold land	Buildings	Heavy equipment & machinery	Furniture & fixtures	Office equipment	Motor vehicles	Infrastructure assets	Capital work in progress (CWIP)	Total 2024
Cost:									
At the beginning of the year	135,283	1,681,265	93,340	161,906	107,066	15,431	3,210,843	1,722,408	7,127,542
Additions	--	1,793	50	--	2,603	--	3,161	282,471	290,078
Transfer to investment properties	--	--	--	--	--	--	--	(24,645)	(24,645)
Write-off (note 13.4)	--	--	--	--	--	--	--	--	--
Disposal	--	--	--	--	(6)	--	--	--	(6)
At the end of the year	135,283	1,683,058	93,390	161,906	109,663	15,431	3,214,004	1,980,234	7,392,969
Accumulated depreciation and impairment:									
At the beginning of the year	--	734,785	74,507	161,906	100,880	15,431	1,112,232	10,582	2,210,323
Depreciation charge for the year	--	67,709	2,873	--	3,045	--	115,645	--	189,272
Disposal	--	--	--	--	(6)	--	--	--	(6)
At the end of the year	--	802,494	77,380	161,906	103,919	15,431	1,227,877	10,582	2,399,589
Net book value:									
At 31 December 2024	135,283	880,564	16,010	--	5,744	--	1,986,127	1,969,652	4,993,380

EMAAR THE ECONOMIC CITY
 (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 For the year ended 31 December 2024
 (Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

13. PROPERTY AND EQUIPMENT (continued)

Cost:	Freehold land	Buildings	Heavy equipment & machinery	Furniture & fixtures	Office equipment	Motor vehicles	Infrastructure assets	Capital work in progress (CWIP)	Total 2023
At the beginning of the year	135,283	1,677,391	92,699	161,906	106,592	15,431	3,213,345	1,679,141	7,081,788
Additions	--	3,874	641	--	474	--	--	48,796	53,785
Write-off (note 13.4)	--	--	--	--	--	--	--	(5,529)	(5,529)
Disposal	--	--	--	--	--	--	(2,502)	--	(2,502)
At the end of the year	135,283	1,681,265	93,340	161,906	107,066	15,431	3,210,843	1,722,408	7,127,542
Accumulated depreciation and impairment:									
At the beginning of the year	--	662,152	70,746	161,906	100,173	15,431	995,874	10,582	2,016,864
Depreciation charge for the year	--	72,633	3,761	--	707	--	116,870	--	193,971
Disposal	--	--	--	--	--	--	(512)	--	(512)
At the end of the year	--	734,785	74,507	161,906	100,880	15,431	1,112,232	10,582	2,210,323
Net book value:									
At 31 December 2023	135,283	946,480	18,833	--	6,186	--	2,098,611	1,711,826	4,917,219

13.1 Depreciation charge for the year has been allocated as follows:

	31 December 2024	31 December 2023
Cost of revenue	166,996	169,768
General and administrative expenses	22,276	24,203
	<u>189,272</u>	<u>193,971</u>

13.2 Capital work in progress mainly represents construction costs in respect of the infrastructure and other projects at the KAEC.

13.3 Freehold land amounting to SR 135 million (2023: SR 135 million), mainly relates to infrastructure and operating assets.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

13. PROPERTY AND EQUIPMENT (continued)

13.4 Capital work in progress mainly represents construction costs in respect of the infrastructure and other projects at the KAEC. During the year ended 31 December 2024, there is no write-off in capital work in progress (31 December 2023: SR 5.5 million).

13.5 During the year ended 31 December 2024, borrowing cost amounting to SR 16.6 million (2023: SR nil) has been capitalized on certain CWIP projects.

13.6 Impairment:

The Group witnessed higher than budgeted operating loss and negative operating cash flows from the Group operations. As a result, management considered indicators of impairment to exist. There is a risk that the carrying value of non-financial assets associated with the Group's operations will be higher than the recoverable amounts.

For the purpose of impairment testing of the non-financial assets, the underlying assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. The Group has determined the recoverable amounts of CGUs as follows:

- For certain CGUs by assessing the fair value less cost of disposal (FVLCD) of the underlying assets. The valuation is considered to be Level 3 in the fair value hierarchy due to unobservable inputs used in the valuation.
- For certain CGUs based on value-in-use

i) The valuation methodology and related significant inputs and assumptions used by valuer in estimation of net recoverable amount for the CGUs where recoverable amount has been determined based on FVLCD are as follows:

The Group engaged independent professionally qualified valuation expert i.e. ESNAD who holds recognised relevant professional qualification and has recent experience under IFRS 13 – Fair Value Measurement, in determining the fair values for properties in the locations and segments where the Group's properties are situated. ESNAD is accredited by the Saudi Authority for Accredited Valuers and performed their work in accordance with the International Valuation Standards Council (IVSC) as well as the regulations issued by the Saudi Authority for Accredited Valuers (TAQEEM).

The Group's finance department includes a team that reviews the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the Chief Financial Officer (CFO) of the Group. Discussions of valuation processes and results are held between the CFO, business and finance department and the independent valuer. Discussions of valuation processes and results are held at least once in every quarter, in line with the Group's quarterly reporting dates.

EMAAR THE ECONOMIC CITY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

13. PROPERTY AND EQUIPMENT (continued)
13.7 Impairment (continued)

There were no changes in the valuation techniques during the year.

At each financial year-end the finance department:

- verifies all major inputs to the independent valuation report;
- assesses property valuation movements when compared to the prior year valuation report; and
- holds discussions with the independent valuer.

Changes in Level 2 and 3 fair values are analysed at each reporting date during the quarterly valuation discussions between the CFO, finance department and the independent valuer. As part of this discussion, the team presents a report that explains the reasons for the fair value movements, if any.

The Group has a number of commercial centers, residential units, hotel and other leisure assets and under development properties. The Group considered each individual commercial center, hotel and other leisure asset as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets and accordingly designated each of them as separate CGUs.

In determining the fair value, the valuer has used an income approach for income-generating assets and residual approach for under construction properties.

Valuation approach	Description
Income approach	Under this approach, the valuer has utilized the discounted cash flow approach. The discount rate reflects the growth assumed in the cash flow (both costs and revenues) and the risks associated with the assumptions, including occupancy, rents, operating expenses etc. Since these valuations are based on significant unobservable inputs, the fair value measurement was classified as Level 3.
Market approach	Under this approach, the valuer makes assessment on the basis of a collation and analysis of appropriate comparable transactions, together with evidence of demand within the vicinity of the subject property. The differences in specification of the Group's properties are then adjusted, taking into account size, location, aspect and other material factors. Such values are based on significant unobservable inputs and hence the fair value measurement was classified as Level 3.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2024
(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

13. PROPERTY AND EQUIPMENT (continued)

13.7 Impairment (continued)

Significant inputs and adjustments to determine the fair value for properties are as follows:

Significant unobservable input	Basis of determination	2024
Average daily rate (ADR) growth in year 3	The growth in average daily rate in year 3 based on the actual location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rates for similar properties and expected inflation in the economy.	2.5%
Discount rates	The discount rate reflects the growth assumed in the cash flow (both costs and revenues) and the risks associated with the assumptions, including occupancy, rents, operating expenses etc.	10%-14%
Estimated occupancy rate in year 4	Based on current, historic and expected future market conditions.	65%
Adopted sales rate	The adopted sales rate reflects the consideration taken into account for similar transactions in the city and incorporating the necessary adjustments for differences in location and size.	SR 800 - 1,625 per SQM
Number of tickets sold	Based on the property's actual and forecasted demand	
Number of events	Based on the actual and forecasted demand including external evidence from comparable properties.	

EMAAR THE ECONOMIC CITY
 (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

13. PROPERTY AND EQUIPMENT (continued)

13.7 Impairment (continued)

The Group has relied on the valuation performed as at 31 December 2024.

The following table sets out the key assumptions for the class of CGUs of the Group and their sensitivities:

Class of CGU	Valuation approach	Discount rate	Year 3 ADR growth (%)	Year 4 Occupancy rate	# of tickets sold in Year 3	# of events	Carrying amount	Recoverable amount	Change in discount rate	Sensitivities (percentage impact on recoverable value of the CGUs)				
										Change in year 3 ADR growth rate				
										-1%	0%	1%		
Hospitality assets - 1	Income Approach	11%	2.50%	65%	-	-	198,527	533,107	Change in discount rate	-0.50%	-2.96%	2.98%	9.33%	
										0%	-5.72%	0.00%	6.11%	
										0.50%	-8.36%	-2.86%	3.03%	
Change in year 4 occupancy rate														
Hospitality assets - 2	Income Approach	-	-	50%	-	-	132,163	221,348	Change in cap rate	-0.50%	-5.26%	5.26%	15.79%	
										0%	-10.00%	0.00%	10.00%	
										0.50%	-14.29%	-4.76%	4.76%	
Number of events														
										81,399	101,399	121,399		
Leisure asset - 1	Income & Market Approach	12%	-	-	-	-	15,248	36,881	Change in discount rate	-0.50%	5.90%	3.04%	0.48%	
										0%	2.75%	0.00%	-2.46%	
										0.50%	-0.28%	-2.92%	-2.46%	

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

13. PROPERTY AND EQUIPMENT (continued)

13.7 Impairment (continued)

Class of CGU	Valuation approach	Discount rate	# of events held in Year 3	Sales rate per SQM	Absorption period	Carrying amount (SR in 000)	Recoverable amount (SR in 000)	Change in Sales rate	Sensitivities (percentage impact on recoverable value of the CGUs)
Leisure asset – 2	Residual method	12%	-	SR 500	84 months	71,603	479,292	Change in Sales rate	10%
								Change in absorption period	-10%
								Change in discount rate	-0.50%
								Change in Sales rate	-10%
								Change in absorption period	10%
								Change in discount rate	-10.00%

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

13. PROPERTY AND EQUIPMENT (continued)

13.7 Impairment (continued)

The valuation methodology and related significant inputs and assumptions used by the management in estimation of net recoverable amount for the CGUs where recoverable amount has been determined based on value-in-use are as follows:

Value in use has been determined by discounting the future cash flows of the respective CGU by using weighted average cost of capital of the Group.

The key estimates and assumptions used by the Company's management for the value-in-use calculations were as follows:

- *Projected cash flows using approved business plans.*
- *The discount rate used was approximately 8.80% based on weighted average cost of capital.*

The Group considers corporate assets as infrastructure assets and combines expected net cash flows from all cash generating units to which the corporate assets belong, for impairment assessment. Impairment testing for these assets is performed at the city level. If an impairment loss is identified, it is allocated across all CGUs that benefit from these assets. The carrying amounts of these infrastructure assets, along with all CGUs, are compared to their recoverable amounts to assess potential impairment. As of 31 December 2024, the recoverable amount of the CGUs significantly exceeds their carrying amount, including these assets. Therefore, no impairment has been recognized.

14. LEASES

14.1 Right-of-use assets

The Group leases various properties such as offices, a resort, machinery & equipment and vehicles. Rental contracts are typically made for fixed periods ranging from 2 to 10 years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and leased assets may not be used as security for borrowing purposes.

The estimated useful lives of the right-of-use assets for the calculation of depreciation are as follows:

- | | |
|-------------------------------|------------|
| • Buildings | 3-10 years |
| • Heavy equipment & machinery | 3-4 years |

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

14. LEASES (continued)

14.1 Right-of-use assets (continued)

	<u>Buildings</u>	<u>Heavy equipment and machinery</u>	<u>Total</u>
Cost:			
Balance as at 1 January 2024	103,097	1,207	104,304
Additions during the year	4,423	--	4,423
Cessation of lease	(1,835)	(1,207)	(3,042)
Balance as at 31 December 2024	105,685	--	105,685
Accumulated depreciation:			
As at 1 January 2024	48,554	966	49,520
Charge for the year	12,097	241	12,338
Cessation of lease	(666)	(1,207)	(1,873)
As at 31 December 2024	59,985	--	59,985
Net book value:			
As at 31 December 2024	45,700	--	45,700
Cost:			
Balance as at 1 January 2023	105,583	1,207	106,790
Additions during the year	8,611	--	8,611
Cessation of lease	(11,097)	--	(11,097)
As at 31 December 2023	103,097	1,207	104,304
Accumulated depreciation:			
As at 1 January 2023	48,774	725	49,499
Charge for the year	10,877	241	11,118
Cessation of lease	(11,097)	--	(11,097)
As at 31 December 2023	48,554	966	49,520
Net book value:			
As at 31 December 2023	54,543	241	54,784

Depreciation charge for the year has been allocated as follows:

	<u>31 December 2024</u>	<u>31 December 2023</u>
Cost of revenue	9,690	9,690
General and administrative expenses	2,648	1,428
	12,338	11,118

EMAAR THE ECONOMIC CITY
 (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

14. LEASES (continued)

14.2 Lease liabilities

At 31 December, the lease liabilities are presented in the consolidated statement of financial position as follows:

	31 December 2024	31 December 2023
Non-current portion	23,683	32,794
Current portion	51,670	56,212
	75,353	89,006

Movement of lease liabilities:

	31 December 2024	31 December 2023
As at 1 January	89,006	81,263
Financial charges (Note 10)	1,999	2,136
Addition during the year	4,423	5,607
Repayments during the year	(18,725)	--
Reclassification to lease payable	(1,350)	--
As at 31 December	75,353	89,006

The aging of minimum lease payments together with the present value of minimum lease payments, as of 31 December, are as follows:

	2024		2023	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Within twelve months	53,102	51,670	58,018	56,212
One to five years	25,249	23,683	35,706	32,794
Total minimum lease payments	78,351	75,353	93,724	89,006
Less: financial charges	(2,998)	--	(4,718)	--
Present value of minimum lease payments	75,353	75,353	89,006	89,006

14.3 Impairment

The Group witnessed higher than budgeted operating loss and negative operating cash flows from the Group operations. As a result, management considered indicators of impairment to exist. There is a risk that the carrying value of non-financial assets associated with the Group's operations will be higher than the recoverable amounts.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

14. LEASES (continued)

14.3 Impairment (continued)

The management reviews carrying amounts of its non-financial assets to determine whether their carrying values exceed the recoverable amounts. For impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units ("CGU"). The management has determined that the resort is a separate CGU.

Value-in-use has been determined by discounting the future cash flows of the respective CGU by using weighted average cost of capital of the Group.

The key estimates used by the Group's management for the value in use calculations were as follows:

- Projected cash flows using approved business plans.
- Sales growth rate of 13.3%.
- Discount rate of 8.80%.

(i) Sales growth rate

The occupancy growth in the forecast period has been estimated to be average occupancy growth rate of 27.23%. If all other assumptions are kept the same, a reduction of this growth rate by 1.30% across all expected cashflows would give a value-in-use equal to the current carrying amount.

(ii) Discount rate

The discount was an estimate of the weighted average cost of capital as of 31 December 2024 based on market rates adjusted to reflect management's estimate of the specific risks relating operations and the related industry. If all other assumptions are kept the same, an increase of the discount rate by 0.79% across all expected cashflows would give a value-in-use equal to the current carrying amount.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

15. INVESTMENT PROPERTIES

The estimated useful lives of the assets for the calculation of depreciation are as follows:

- Buildings
10-50 years
- Leasehold improvements
2 - 10 years
- Infrastructure assets
10-30 years

	2024				
	Land	Buildings	Leasehold improvements	Infrastructure assets	Capital work-in-progress (CWIP)
Cost:					
At the beginning of the year	2,790,874	862,629	945	430,078	1,006,177
Additions	4,273	--	--	--	13,241
Disposals	(3,545)	(1,060)	--	(5,062)	(1,531)
Transfer from property and equipment	--	--	--	--	24,645
Transfer to development properties (Note 18)	(1,328)	--	--	--	(1,328)
At the end of the year	2,790,274	861,569	945	425,016	1,042,532
Accumulated depreciation and impairment:					
At the beginning of the year	--	278,663	945	160,347	31,498
Depreciation charge for the year	--	32,167	--	16,632	--
Reversal of impairment (Note 15.11)	--	(1,094)	--	--	--
Disposals	--	1,630	--	--	--
At the end of the year	--	311,366	945	176,979	31,498
Net book value					
At 31 December 2024	2,790,274	550,203	--	248,037	1,011,034
					4,599,548

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

15. INVESTMENT PROPERTIES (continued)

	2023				
	Land	Buildings	Leasehold improvements	Infrastructure assets	Capital work-in-progress (CWIP)
Cost:					
At the beginning of the year	2,815,489	873,316	945	432,008	1,044,626
Additions	--	--	--	--	1,037
Disposals	(1,983)	(10,687)	--	(1,930)	(2,544)
Transfer to development properties (Note 18)	(22,632)	--	--	--	(36,942)
At the end of the year	2,790,874	862,629	945	430,078	1,006,177
Accumulated depreciation and impairment:					
At the beginning of the year	--	249,792	945	145,114	31,498
Depreciation charge for the year	--	34,003	--	16,793	--
Reversal of impairment (Note 15.11)	--	(2,546)	--	--	--
Disposals	--	(2,586)	--	(1,560)	--
At the end of the year	--	278,663	945	160,347	31,498
Net book value					
At 31 December 2023	2,790,874	583,966	--	269,731	974,679
					4,619,250

15.1 Investment properties comprises commercial centers, serviced lands, residential units, properties with undetermined future use and properties under development. Commercial centers, serviced lands and residential units generate rental income through lease agreements. Properties with undetermined future use mainly comprise raw land parcels that do not generate any income and no expense is incurred on those properties.

15.2 Capital work in progress represents assets under construction relating to a commercial center's expansion and infrastructure development work on the land parcels.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

15. INVESTMENT PROPERTIES (continued)

15.3 Greenfield land measures approximately 168 million square meters and includes land measuring approximately 37 million square meters contributed by a shareholder as part of its capital contribution for an agreed sum of SR 1,700 million in lieu of shares of the same value in the Company (Note 23). The specific allocation of the Greenfield land to be used by different projects, which could be for sale or rental, has not yet been completed. Therefore, the Greenfield land and associated costs, amounting to SR 2,518 million (31 December 2023: SR 2,514 million), has been classified as investment properties. No depreciation has been charged as these comprise only freehold land. Greenfield land includes 24.5 million square meters pledged in favour of the PIF (Ministry of Finance loan novated to PIF) against a long-term loan of SR 2,911 million (Note 25). The Group is currently in discussion with PIF to release the excess lands, as a result of the loan novation is awaiting finalization of formalities for de-collateralization. Loans obtained from commercial banks are also secured against Greenfield land.

15.4 Amounts recognised in the consolidated statement of profit or loss and other comprehensive income for investment properties held for rental income for the year are as follows:

	31 December 2024	31 December 2023
Rental income from operating leases	50,419	56,301
Rental income from operating leases – variable	1,227	1,349
Direct operating expenses on investments properties that generated rental income	1,387	1,296

15.5 There were no direct operating expenses on investment properties that did not generate rental income during 2024 and 2023.

15.6 At 31 December 2024 the Group's investment properties with a carrying amount of SR 923 million (31 December 2023: SR 928 million) were mortgaged as collateral against loans and borrowings. During the years ended 31 December 2024 and 2023, no borrowing cost was capitalized as no development or construction of investment properties was carried out.

15.7 During the year ended 31 December 2024, properties amounting to SR 1.3 million (31 December 2023: SR 59.57 million) were transferred from 'investment properties' to 'development properties' as they underwent a change in use, evidenced by commencement of development with a view to sell along with active marketing for such sale. The development of the property was planned after the feasibility study and receipt of sale proposal and the basic infrastructure development in the surrounding area was already completed beforehand. Accordingly, this property is classified and transferred to development properties.

15.8 Some of the investment properties are leased to tenants under operating leases with rentals payable on a monthly, quarterly and semi-annual basis. Rental payments for some contracts are variable and are based on percentage of sales, and not on an index rate.

15.9 As at 31 December 2024 and 2023, the Group has no contractual obligation for future repairs and maintenance which are not recognized as liability.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

15. INVESTMENT PROPERTIES (continued)

15.10 Group as lessor:

The Group has entered into leases on its investment property portfolio. The future minimum rentals receivable under operating leases contracted for as at the reporting date but not recognized as receivables, are as follows:

	31 December <u>2024</u>	31 December <u>2023</u>
Less than one year	54,521	54,759
One to two years	54,521	42,004
Two to three years	54,465	41,917
Three to four years	54,195	41,761
Four to five years	53,057	41,491
More than five years	562,194	380,222
	<u>832,953</u>	<u>602,154</u>

15.11 During the year ended 31 December 2024, the Group has recognised reversal of impairment, amounting to SR 1.1 million (31 December 2023: reversal of impairment amounting to SR 1.6 million). The reversal of impairment loss was recognised as a result of disposal of properties which had been previously impaired.

15.12 Impairment:

The Group witnessed higher than budgeted operating loss and negative operating cash flows from the Group operations. As a result, management considered indicators of impairment to exist. There is a risk that the carrying value of non-financial assets associated with the Group's operations will be higher than the recoverable amounts.

For the purpose of impairment testing of the non-financial assets, the underlying assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. The Group has determined the recoverable amounts of CGUs as follows:

- For certain CGUs by assessing the fair value less cost of disposal (FVLCD) of the underlying assets. The valuation is considered to be Level 3 in the fair value hierarchy due to unobservable inputs used in the valuation.
- For certain CGUs based on value-in-use.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

15. INVESTMENT PROPERTIES (continued)

15.13 Impairment (continued)

The valuation methodology and related significant inputs and assumptions used by valuer in estimation of net recoverable amount for the CGUs where recoverable amount has been determined based on FVLCO are as follows:

The fair value of the Group's investment property, as at 31 December 2024, has been arrived on the basis of the valuation exercise carried out by independent professionally qualified valuation expert i.e. ESNAD who holds recognised relevant professional qualification and has recent experience under IFRS 13, in determining the fair values for properties in the locations and segments where the Group's properties are situated. ESNAD is accredited by the Saudi Authority for Accredited Valuers and performed their work in accordance with the International Valuation Standards Council (IVSC) as well as the regulations issued by the Saudi Authority for Accredited Valuers (TAQEEM).

The Group's finance department includes a team that reviews the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the Chief Financial Officer (CFO) of the Group. Discussions of valuation processes and results are held between the CFO, business and finance department and the independent valuer.

Discussions of valuation processes and results are held at least once in every quarter, in line with the Group's quarterly reporting dates

There were no changes in the valuation techniques during the year.

At each financial year-end the finance department:

- verifies all major inputs to the independent valuation report;
- assesses property valuation movements when compared to the prior year valuation report; and
- holds discussions with the independent valuer.

Changes in Level 2 and 3 fair values are analysed at each reporting date during the quarterly valuation discussions between the CFO, finance department and the independent valuer. As part of this discussion, the team presents a report that explains the reasons for the fair value movements, if any.

The valuation methodology and related significant inputs and assumptions used by valuers in estimation of net recoverable amount are as follows:

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

15. INVESTMENT PROPERTIES (continued)

15.13 Impairment (continued)

Valuation approach	Description
Income approach	Under this approach, the valuer has utilized the discounted cash flow approach. The discount rate reflects the growth assumed in the cash flow (both costs and revenues) and the risks associated with the assumptions, including occupancy, rents, operating expenses etc. Since these valuations are based on significant unobservable inputs, the fair value measurement was classified as Level 3.
Market approach	Under this approach, the valuer makes assessment on the basis of a collation and analysis of appropriate comparable transactions, together with evidence of demand within the vicinity of the subject property. The differences in specification of the Group's properties are then adjusted, taking into account size, location, aspect and other material factors. Such values are based on significant unobservable inputs and hence the fair value measurement was classified as Level 3.

The Group has performed impairment assessment on investment properties held for rental income at CGU level. The group considered the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets and accordingly designated such assets as CGU.

The significant unobservable inputs for properties held for rental income are as follows:

<u>Significant unobservable input</u>	<u>Basis of determination</u>	<u>2024</u>
Discount rate	The discount rate reflects the growth assumed in the cash flow (both costs and revenues) and the risks associated with the assumptions, including occupancy, rents, operating expenses etc.	10-12%
Capitalisation rate	It is based on actual location, size and quality of the properties and taking into account market data at the valuation date.	9%
Rental growth rate	Based on the actual location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties and expected inflation in the economy.	2.50%
Absorption period	The time period during which available units are sold in a specific market.	18-120 months
Adopted sales rate	The adopted sales rate reflects the consideration taken into account for similar transactions in the city and incorporating the necessary adjustments for differences in location and size.	SR 500 – 5,000

EMAAR THE ECONOMIC CITY
 (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

15. INVESTMENT PROPERTIES (continued)

15.13 Impairment (continued)

The following table sets out the key assumptions for the class of CGUs of the Group and their sensitivities:

Class of CGU	Valuation approach	Discount rate	Absorption period	Rental rate	Capitalisation rate	Rental growth rate	Carrying amount (SR in 000)	Recoverable amount (SR in 000)	Sensitivities (percentage impact on recoverable value of the CGUs)	
									Change in rental growth rate	
Commercial – 1	Income approach	-	-	-	9%	-	120,887	744,021	-0.50%	5.87%
									0%	3.03%
									0.50%	0.00%
									-0.29%	-2.91%
										0.44%
										-2.49%
										-5.29%

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

15. INVESTMENT PROPERTIES (continued)

15.13 Impairment (continued)

These significant unobservable inputs for properties with undetermined use include:

Significant unobservable input	Basis of determination	2024
Discount rate	The discount rate reflects the growth assumed in the cash flow (both costs and revenues) and the risks associated with the assumptions, including occupancy, rents, operating expenses etc.	9%-12%
Absorption period	The time period during which available units are sold in a specific market.	18-120 months
Adopted sales rate	The adopted sales rate reflects the consideration taken into account for similar transactions in the city and incorporating the necessary adjustments for differences in location and size.	SR 500-8,500

Inputs were adjusted for difference in location, land size, amenities and services, and development status and quality of land parcels.

The Group has relied on the valuation performed as at 31 December 2024.

The following tables sets out the key assumptions for the properties with undetermined uses:

Class of CGU	Valuation approach	Discount rate	Absorption period	Fair value	Change in assumptions	Sensitivities (percentage impact on fair value)
Residential land	Residual method	11%-16%	1-6	18,184,943	Change in Discount rate	0.50% -1.62%
						-0.50% 1.66%
					Change in absorption	10% -4.68%
						-10% 4.94%
					Change in sales rate	10% 12.76%
						-10% -12.76%
Commercial land	Residual method	11%-15%	1-5	3,345,322	Change in Discount rate	-0.50% -1.63%
						0.50% 1.67%
					Change in absorption	10% -4.85%
						-10% 5.13%
					Change in sales rate	10% 11.61%
						-10% -11.61%
Urban mixed-use land	Residual method	11%-16%	1-6	5,001,677	Change in Discount rate	-0.50% -1.34%
						0.50% 1.36%
					Change in absorption	10% -4.04%
						-10% 4.24%
					Change in sales rate	10% 11.97%
						-10% -11.97%

EMAAR THE ECONOMIC CITY
 (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

15. INVESTMENT PROPERTIES (continued)
15.13 Impairment (continued)

The valuation methodology and related significant inputs and assumptions used by the management in estimation of net recoverable amount for the CGUs where recoverable amount has been determined based on value-in-use are as follows:

Value in use has been determined by discounting the future cash flows of the respective CGU by using weighted average cost of capital of the Group.

Key assumptions underlying the projections are:

	31 December 2024
Key assumptions	
Discount rate	8.80%

15.14 The Group uses the following hierarchy for determining and disclosing the fair values of its investment properties by valuation techniques:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
31 December 2024	<u> </u>	<u> </u>	39,269,702	39,269,702
31 December 2023	<u> </u>	<u> </u>	34,917,674	34,917,674

15.15 Following is the fair value and carrying amount of investment properties held for various purposes:

	<u>Fair value</u>		<u>Carrying amount</u>	
	31 December 2024	31 December 2023	31 December 2024	31 December 2023
Rental income	9,510,000	9,917,674	1,809,278	1,828,377
Currently undetermined future use	29,759,702	25,000,000	2,790,270	2,790,873
	39,269,702	34,917,674	4,599,548	4,619,250

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

16. INTANGIBLE ASSETS

The movement in the intangible assets is as follows:

	31 December 2024	31 December 2023
Cost:		
At the beginning of the year	113,301	113,227
Additions	<u>1,104</u>	<u>74</u>
At the end of the year	<u>114,405</u>	<u>113,301</u>
Amortization:		
At the beginning of the year	109,637	108,952
Charge for the year	<u>1,787</u>	<u>685</u>
At the end of the year	<u>111,424</u>	<u>109,637</u>
Net book value	<u><u>2,981</u></u>	<u><u>3,664</u></u>

17. INTEREST IN OTHER ENTITIES

17.1 Investment in equity accounted investees

The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The entities are incorporated in the Kingdom of Saudi Arabia which is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

	<u>Effective ownership interest (%)</u>		<u>Balance as at</u>	
	31 December 2024	31 December 2023	31 December 2024	31 December 2023
Investment in Ports Development Company ("PDC") (see note (a) below)	50%	50%	2,456,361	2,552,079
Investment in Biyoutat Progressive Company for Real Estate Investment & Development ("Biyoutat") (see note (b) below)	20%	20%	45,790	45,790
Investment in Albilad Tourism Fund (see note (c) below)	41.15%	41.15%	<u>209,655</u>	239,499
			<u><u>2,711,806</u></u>	<u><u>2,837,368</u></u>

EMAAR THE ECONOMIC CITY
 (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

17. INTEREST IN OTHER ENTITIES (continued)
17.1 Investment in equity accounted investees (continued)
a) Ports Development Company

Movement in investment in PDC for the year is as follows:

	31 December 2024	31 December 2023
Balance at the beginning of the year	2,552,079	2,540,950
Share of results for the year, net of Zakat charge	(88,752)	8,960
Share of other comprehensive (loss) / income	(6,966)	2,169
Balance at the end of the year	<u>2,456,361</u>	<u>2,552,079</u>

Summarized financial information of PDC is as follows:

	31 December 2024	31 December 2023
Non-current assets	7,534,339	7,645,138
Current assets	274,759	451,601
Cash and cash equivalents	134,742	198,779
Non-current liabilities	(2,033,927)	(2,124,728)
Current liabilities (**)	(282,147)	(287,551)
Non-current financial liabilities	(1,991,496)	(2,072,067)
Equity	5,493,024	5,684,460
Group's share in equity – 50% (31 December 2023: 50%)	2,746,512	2,842,230
Elimination of share of profit on sale of land and commission income*	(290,151)	(290,151)
Group's carrying amount of the investment	<u>2,456,361</u>	<u>2,552,079</u>

(*) The amount pertains to profit derived by the Group on sale of land to PDC to develop and operate the port.

(**) Includes trade payable amounting to SR 143.04 million (31 December 2023: SR 156.15 million).

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

17. INTEREST IN OTHER ENTITIES (continued)

17.1 Investment in equity accounted investees (continued)

	31 December 2024	31 December 2023
Revenue	293,120	445,135
Depreciation	153,260	153,781
Interest expense	179,717	187,120
Zakat and tax charge	7,470	6,508
Net (loss) / profit for the year	(167,819)	23,841
Other comprehensive (loss) / income to be reclassified to profit or loss in subsequent years	(13,820)	4,338
Total comprehensive (loss) / income for the year	(181,639)	28,179
Group's share of (loss) / profit for the year, net of related Zakat charge	(88,752)	8,960
Group's share of other comprehensive (loss) / income for the year	(6,966)	2,169

On 14 Jumada Awal 1431H (corresponding to 29 April 2010), the Ports Development Company ("PDC"), a Closed Joint Stock Company, was incorporated in the Kingdom of Saudi Arabia, which is engaged in development, operation and maintenance of the King Abdullah Port (the "Port") at KAEC. During 2011, the shareholders of PDC entered into an agreement, whereby, the shareholding structure and funding mechanism of PDC was agreed.

Considering the 50% shareholding by the Group as per the shareholding structure that was last amended in 2014, and pursuant to the terms of the shareholders agreement, the shareholders of PDC have concluded that they have joint control over PDC and hence the Group has classified the investment as "Investment in an equity accounted investee".

The management of PDC makes the decision regarding the pricing and the government does not control the price being charged to the customers. Accordingly, management has performed an assessment and concluded that the operations of PDC do not fall within the scope of IFRIC 12 'Service Concession Arrangements'.

The Group has provided a corporate guarantee along with promissory notes to a commercial bank, limited for SR 1,321 million plus any Murabaha profits due to be paid by the PDC, that allowed PDC to secure a Shariah compliant Murabaha facility to partially finance the construction costs of the Port. Moreover, such loan is also secured by a pledge of the shares of the Group in PDC.

On December 20, 2023, the National Container Terminal ("NCT") declared Force Majeure ("FM"), followed by a detailed report on December 31, 2023, citing the immediate suspension of services by its main customer, MSC. This decision was in response to Houthi attacks on merchant ships passing through the Bab al-Mandab Strait in the Red Sea.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

17. INTEREST IN OTHER ENTITIES (continued)

17.1 Investment in equity accounted investees (continued)

NCT noted that MSC contributes approximately 90% of its throughput, primarily through transshipment containers, which will be lost due to the suspension or rerouting of MSC services. As a result, NCT has asserted that the security crisis in the Red Sea and MSC's suspension will impact its Concession Agreement ("CA") obligations, particularly regarding the Minimum Charge Guarantee ("MCG").

Following this, PDC reached a settlement agreement with NCT, under which NCT will pay PDC 50% of the Minimum Charge Guarantee that would have been payable to the Granter had the Red Sea disruption not occurred. This settlement has led to a significant reduction in PDC's revenue and cashflow for 2024

As a result of this development, an objective indication of impairment existed in the Group's financial statements. Accordingly, an impairment assessment was conducted to evaluate the recoverable amount of the related assets. The assessment concluded that no impairment was required, as the recoverable amount remained well above the carrying value, with sufficient headroom.

The management has determined the fair value of financial guarantees to be immaterial.

PDC has also entered into interest rate swaps arrangement (the "Swap Contracts"), with local commercial banks, to hedge future adverse fluctuation in interest rates on its long-term loan. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

PDC designated the Swap Contracts, at its outset, as a cash flow hedge. The Swap Contracts are intended to effectively convert the interest rate cash flow on the long-term loan from a floating rate to a fixed rate, during the entire tenure of the loan agreements. Cash flow hedges which meet the strict criteria for hedge accounting are accounted for by taking the gain or loss on the effective portion of the hedging instrument to the other comprehensive income, while any ineffective portion is recognized immediately in the consolidated statement of profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item.

b) Biyoutat Progressive Company for Real Estate Investment & Development ("Biyoutat")

During 2016, the Group entered into an arrangement with an entity owned by a local Saudi group to incorporate a new entity, namely Biyoutat, a Limited Liability Company, to build, own and manage a residential compound at KAEC.

The Group owns 20% shares in the share capital of Biyoutat. As per the shareholders' agreement, during 2016, the Group also made an additional investment of SR 53.75 million, in the form of a contributed land, for the development of the project.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

17. INTEREST IN OTHER ENTITIES (continued)

17.1 Investment in equity accounted investees (continued)

The movement in investment in Biyoutat during the year is as follows:

	31 December 2024	31 December 2023
Initial investment	200	200
Additional investment	53,755	53,755
Elimination of share of profit on sale of land (*)	(8,165)	(8,165)
	45,790	45,790

(*) The amount pertains to profit derived by the Group on sale of land to Biyoutat for development of a residential compound.

c) Investment in Albilad Tourism Fund - Equity investment

During 2023, the Group invested in the Albilad Tourism Fund (the "Fund"). The Group entered into a property sale agreement to sell a prime beachfront land plot, in Murooj Golf Community District in KAEC, as an in-kind contribution to the Fund.

In return for the land sale, the Group acquired units in the Fund amounting to Saudi Riyals 269.2 million, representing 41.15% of the Fund's equity. The Fund's term is 12 years and is extendable up to 3 additional years. The Group has performed an assessment of the criteria to determine whether the Group has control over the Fund and concluded that the Group does not have control, but significant influence over the Fund. Accordingly, the Fund is being accounted as equity investment in the consolidated financial statements for the year ended 31 December 2024.

	31 December 2024	31 December 2023
Initial investment	239,499	269,204
Elimination of share of profit on contribution of land (*)	(25,764)	(22,481)
	213,735	246,723
Share of loss for the period	(4,080)	(7,224)
Closing investment	209,655	239,499

(*) The amount pertains to profit derived by the Group on contribution of land to the Fund.

EMAAR THE ECONOMIC CITY
 (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

17. INTEREST IN OTHER ENTITIES (continued)

17.2 Subsidiaries

The following table summarizes the statement of financial position of these subsidiaries as at 31 December 2024. This information is based on the amounts before inter-company elimination.

	2024					
	<u>ECIC</u>	<u>IZDCL</u>	<u>REOM</u>	<u>REM</u>	<u>EKC</u>	<u>RED</u>
Total assets	3,499,908	1,452,580	1,193,470	341,678	92,006	1,865,129
Total liabilities	26,089	112,556	234,185	89,991	172,496	926,165
Total equity	3,473,819	1,340,024	959,285	251,687	-80,490	938,964

The following table summarizes the statement of financial position of the subsidiaries as at 31 December 2023. This information is based on the amounts before inter-company elimination.

	2023					
	<u>ECIC</u>	<u>IZDCL</u>	<u>REOM</u>	<u>REM</u>	<u>EKC</u>	<u>RED</u>
Total assets	3,689,549	1,471,124	1,286,989	437,258	112,087	1,986,870
Total liabilities	26,007	83,519	276,962	143,055	149,764	999,319
Total equity	3,663,542	1,387,605	1,010,027	294,203	(37,677)	987,551

The following table summarizes the statement of profit or loss and other comprehensive income of these subsidiaries for the year ended 31 December 2024 and 31 December 2023. This information is based on the amounts before inter-company elimination.

	2024					
	<u>ECIC</u>	<u>IZDCL</u>	<u>REOM</u>	<u>REM</u>	<u>EKC</u>	<u>RED</u>
Revenue	--	20,850	86,758	18,413	74,934	34,235
Profit/(loss) for the year	190,786	-47,613	-51,417	-42,503	-43,233	-48,976
Total comprehensive income/(loss) for the year	189,724	-47,581	-50,742	-42,516	-42,813	-48,587

	2023					
	<u>ECIC</u>	<u>IZDCL</u>	<u>REOM</u>	<u>REM</u>	<u>EKC</u>	<u>RED</u>
Revenue	--	258,351	113,807	23,234	56,584	30,243
Profit/(loss) for the year	66,029	168,949	(27,095)	(16,884)	(178)	(51,021)
Total comprehensive income/(loss) for the year	68,691	168,744	(25,032)	(16,727)	784	(50,320)

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

18. DEVELOPMENT PROPERTIES

These represent completed and ongoing real estate projects being developed for sale as residential and commercial units and plot of lands which is determined by management to be used for future sale in the ordinary course of Group's operations.

Movement during the year ended 31 December 2024 is as follows:

	Notes	31 December <u>2024</u>	31 December <u>2023</u>
Costs incurred to-date		1,526,013	1,549,852
Transferred from investment properties	15	1,328	59,574
Less: cost of development properties sold		(38,807)	(116,440)
Less: provision for development properties		(169,905)	(171,358)
Closing balance		<u>1,318,629</u>	<u>1,321,628</u>
Current portion of development properties		835,611	839,341
Non-current portion of development properties		483,018	482,287
Total		<u>1,318,629</u>	<u>1,321,628</u>

- Disposals of development properties are recognised as expense within cost of revenue.
- As at 31 December 2024, development properties include land amounting to SR 158.41 million (31 December 2023: SR 160.97 million).
- The Group has transferred certain properties from investment properties to development properties based on the change in the intended use to sell such properties after development. (see Note 15).
- During the year, some properties which were written down to net realizable value were sold, accordingly related provision amounting to SR. 1.45 million was reversed to profit and loss.

Determination of NRV:

Projects other than plots of land

The management of the Group has carried out an exercise to determine the NRV of their development properties. This exercise involved determination of planned mode of disposal and the estimation of certain significant variables such as estimated selling price based on planned mode of disposal, estimated cost to sell and estimated cost to make the asset ready for sale. The management determines the estimated selling price by observing the transactions being carried out in the market. During the year 2024, there was no impairment as result of NRV testing.

Unlaunched projects

Management has involved independent valuation expert for the valuation of unlaunched projects to arrive at the estimated selling price of the properties. The valuer has used comparable approach. For details related to the valuation process, refer to Note 15.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

19. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

	Notes	31 December 2024	31 December 2023
Financial assets			
Trade receivables		736,664	730,604
Amounts due from related parties	31	34,028	86,992
Less: impairment on trade receivables	19.1	(358,097)	(358,553)
		<u>412,595</u>	<u>459,043</u>
Commission receivable on Murabaha term deposits		--	1,083
Others		<u>61,472</u>	<u>31,619</u>
		<u>474,067</u>	<u>491,745</u>
Non-financial assets			
Prepayments		29,288	13,445
Advances to suppliers		77,968	64,911
Others		<u>104,906</u>	<u>13,082</u>
		<u>212,162</u>	<u>91,438</u>
Trade receivables and other current assets		<u>686,229</u>	<u>583,183</u>

19.1 Breakup of trade receivables is as follows:

	31 December 2024	31 December 2023
Receivables from residential customers against sale of development properties	247,806	276,779
Receivable against city operation services	230,334	184,336
Lease receivables from industrial customers	140,393	146,267
Receivables from industrial customers against sale of development properties	51,929	77,271
Lease receivables from residential customers	21,460	16,365
Receivables for education services	36,680	19,158
Receivable against hospitality services	8,062	10,428
	<u>736,664</u>	<u>730,604</u>

Trade receivables are non-derivative financial assets carried at amortised cost and are generally on terms of 30 days. The Group holds trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost. The carrying value may be affected by changes in the credit risk of the counterparties.

The title of the development properties sold are held in the name of the Group until the entire consideration is received by the Group. The remaining trade receivables are unsecured. Trade receivable balances are concentrated in the Kingdom of Saudi Arabia. As at 31 December 2024, five largest customers accounted for 26.8% (31 December 2023: 29%) of the outstanding trade receivables. The estimated fair values of trade and other receivables are the discounted amount of the estimated future cash flows expected to be received and approximate their carrying amounts.

Advances to suppliers mainly include advances for undertaking repair and maintenance of infrastructure work.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

19. TRADE RECEIVABLES AND OTHER CURRENT ASSETS (continued)

Collateral

The Group, in respect of sale of development properties, has collaterals in the form of promissory notes or bank guarantees, and the minimum collateral against sale of development property is the fair value of the property sold to the customer as the Group transfers property title to the customer only upon receipt of the entire amount of the contract. As at 31 December 2024 and 2023, the fair value of all collaterals exceeds the carrying value of the respective trade receivable balances of the related contract. The fair value of the property is incorporated in LGD and accordingly ECL is recognised on the exposure after considering the collateral value in respect of trade receivable in respect of sale of development properties.

19.2 Movement in the impairment loss on trade receivables is as follows:

	31 December 2024	31 December 2023
At the beginning of the year	358,553	334,361
(Reversal) / provision for the year	(456)	24,801
Written-off	--	(609)
At the end of the year	358,097	358,553

Increase in gross amount of unsecured receivable balances contribute to the changes in impairment loss on trade receivables.

19.3 The break-up of impairment loss of trade receivables is as follows:

	31 December 2024	31 December 2023
Receivable against city operation services	162,396	183,005
Lease receivables from industrial customers	127,949	145,211
Lease receivables from residential customers	39,186	16,247
Receivable against education services	10,876	12,079
Receivable against hospitality services	800	2,011
Receivable against sale of development properties	16,890	--
	358,097	358,553

19.4 The following table provides information about the expected credit loss for trade receivables:

	Current Not past due	1- 90 days past due	91 – 180 days past due	More than 180 days past due	Total
31 December 2024					
Expected loss rate	46.03%	21.26%	32.22%	52.01%	--
Gross carrying amount – trade receivable	29,289	44,208	49,101	614,066	736,664
Expected credit loss allowance	13,483	9,398	15,819	319,397	358,097

EMAAR THE ECONOMIC CITY
 (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

19. TRADE RECEIVABLES AND OTHER CURRENT ASSETS (continued)

	Current Not past due	1- 90 days past due	91 – 180 days past due	More than 180 days past due	Total
31 December 2023					
Expected loss rate	48.85%	75.36%	95.45%	99.88%	--
Gross carrying amount – trade receivable	20,954	21,526	35,633	298,441	376,554
Expected credit loss allowance	10,236	16,222	34,012	298,083	358,553

19.5 As at 31 December, the ageing analysis of trade receivables, is as follows:

			Past due				
	Total	Not past due	< 30 Days	30–60 days	61–90 Days	91–180 days	> 180 Days
31 December 2024	736,664	29,289	20,922	11,947	11,339	49,101	614,066
31 December 2023	730,604	85,092	10,006	7,611	9,003	39,221	579,671

20. UNBILLED REVENUE

Movements in the unbilled revenue is as follows:

	31 December 2024	31 December 2023
At the beginning of the year	676,787	851,465
Revenue recognised during the year from opening balance	35,975	93,773
Revenue recognised during the year from new contract assets	122,856	352,663
Billing raised during the year	(377,740)	(621,114)
Provision on unbilled revenue	(38,583)	(107,940)
	419,295	568,847
Current portion of unbilled revenue	(223,238)	(283,587)
Non-current portion of unbilled revenue *	196,057	285,260

* Non-current portion of unbilled revenue has been adjusted with the impact of significant financing component.

a) Unbilled revenue against sale of development property:

	31 December 2024	31 December 2023
Unbilled revenue against sale of development property	330,606	552,144
Less: impairment on unbilled revenue against sale of development property	(26,097)	--
Less: Unbilled revenue against sale of development property - current portion	(108,452)	(261,066)
Unbilled revenue against sale of development property – non- current portion	196,057	291,078

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

20. UNBILLED REVENUE (continued)

b) Unbilled revenue against leasing

	31 December 2024	31 December 2023
Unbilled revenue against leasing	127,272	124,646
Less: impairment on unbilled revenue against leasing	(12,486)	(107,940)
Unbilled revenue against leasing - current portion	114,786	16,706

c) Movement in impairment on unbilled revenue against leasing

	31 December 2024	31 December 2023
At the beginning of the year	107,940	113,626
Reversal for the year	(95,454)	(5,686)
At the end of the year	12,486	107,940

d) Movement in impairment on unbilled revenue against sale of development property

	31 December 2024	31 December 2023
At the beginning of the year	--	--
Charge for the year	26,097	--
At the end of the year	26,097	--

The unbilled revenue primarily relates to the Group's right to payment for performance completed to date in respect of sale of development properties but not billed at the reporting at the date. The unbilled revenue is transferred to trade receivable when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

The Group, in respect of sale of development properties, has collaterals in the form of promissory notes or bank guarantees, the minimum collateral against sale of development properties is the fair value of the property sold to the customer as the Group transfers property title to the customer only upon receipt of the entire amount of the contract. The fair value of the property is incorporated in LGD and accordingly ECL is recognised on the exposure after considering the collateral value in respect of unbilled revenue.

EMAAR THE ECONOMIC CITY
 (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

21. CASH AND CASH EQUIVALENTS

	Note	31 December 2024	31 December 2023
Cash and bank balances		<u>256,125</u>	<u>182,482</u>
		<u>256,125</u>	<u>182,482</u>
Less: restricted cash – non-current	21.1	(51)	(51)
Less: restricted cash – current	21.1	<u>(3,707)</u>	<u>(3,354)</u>
		<u>252,367</u>	<u>179,077</u>

21.1 As at 31 December 2024, these represent balances held in escrow accounts with a commercial bank as collateral under loan arrangement amounting to SR 0.05 million (31 December 2023: SR 0.05 million) and balances relating to off-plan sale of development properties amounting to SR 3.7 million (31 December 2023: SR 3.4 million). The classification of these balances depends on the contractual arrangement and completion of the projects.

21.2 The cash is held in current accounts with banks having sound credit ratings and does not carry any mark-up. The fair value of cash and cash equivalents approximates the carrying value at 31 December 2024 and 2023.

22. EMPLOYEES' RECEIVABLE – HOME OWNERSHIP SCHEME

In accordance with the Group's policy, until 31 December 2016, the Group used to sell constructed units to eligible employees under interest free arrangement repayable over a period of twenty years. The Group has made the judgement that the arrangement should be treated under IFRS 15 and the resultant receivable is accounted under IFRS 9. The net value of the payments is recognized as a receivable under employee home ownership scheme. The difference between the gross receivable and the present value of the receivable is recognized as an unearned interest income.

	<u>Gross receivable</u>		<u>Present value of gross receivable</u>	
	31 December 2024	31 December 2023	31 December 2024	31 December 2023
Current portion	5,638	5,634	3,504	3,473
Non-current portion:				
One to five years	22,551	22,537	15,333	15,168
Over five years	<u>45,664</u>	<u>50,524</u>	<u>38,130</u>	<u>42,597</u>
	<u>68,215</u>	<u>73,061</u>	<u>53,463</u>	<u>57,765</u>
Total	73,853	78,695	56,967	61,238

As at 31 December 2024, balance amounting to SR 4.54 million is not overdue and the remaining balance amounting to SR 1.1 million is overdue.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

22. EMPLOYEES' RECEIVABLE – HOME OWNERSHIP SCHEME (continued)

The Group, in respect of sale of constructed units have collaterals in the form of the underlying property sold to the employee as the Group transfers property title to the employee only upon receipt of the entire amount of the contract. The fair value of the property is incorporated in LGD which is significantly higher and accordingly no ECL is recognised in respect of employees' receivable.

23. SHARE CAPITAL

As of 31 December 2024, the Company's authorized and issued share capital was SR 5,232.6 million consisting of 523.26 million shares of SR 10 each (31 December 2023: 1,133.33 million shares of SR 10 each), allocated as follows:

	2024		2023	
	Number of Shares' 000	Capital	Number of Shares' 000	Capital
Issued for cash	680,000	6,800,000	680,000	6,800,000
Issued for consideration in kind	170,000	1,700,000	170,000	1,700,000
Issue of shares following the conversion of long-term loan into equity*	283,333	2,833,333	283,333	2,833,333
Decrease in share capital (refer note 1)	(610,073)	(6,100,734)	--	--
	523,260	5,232,599	1,133,333	11,333,333

* On 26 September 2021, the shareholders in an extraordinary general assembly approved the increase of the share capital of the Company from SR 8,500 million to SR 11,333 million. Accordingly, PIF became a shareholder of the Company through issuance of 283,333,334 new shares, at the nominal value of SR 10 per share, against the debt amount of SR 2,833 million.

24. STATUTORY RESERVE

In accordance with the Company's By-laws, approved by the shareholders during April 2017, the Company must set aside 10% of its net profit in each year, after setting-off its accumulated losses, if applicable, until it has built up a reserve equal to 30% of the share capital. The Company may resolve to discontinue such transfers when the reserve totals 30% of the share capital. The reserve is not available for distribution. No such transfer was made for the years ended 31 December 2024 and 2023 due to net losses for the year.

EMAAR THE ECONOMIC CITY
 (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

25. LONG-TERM BORROWINGS

	31 December 2024	31 December 2023
Ministry of Finance ("MoF") loan (Note (a) below)	2,166,667	2,166,667
Accrued commission	744,937	651,813
Novation to a shareholder (Note (a) below)	(2,911,604)	--
	--	2,818,480
Current portion	--	(2,818,480)
Non-current portion	--	--
Facility from a local bank (Note (b) below)	976,245	976,245
Accrued commission	110,377	41,862
	1,086,622	1,018,107
Current portion	(1,086,622)	(1,018,107)
Non-current portion	--	--
Facility from a local bank (Note (c) below)	1,690,124	1,690,124
Accrued commission	224,658	72,709
	1,914,782	1,762,833
Current portion	(1,914,782)	(1,762,833)
Non-current portion	--	--
Facility from a local bank (Note (d) below)	537,420	537,420
Accrued commission	96,880	36,761
	634,300	574,181
Current portion	(634,300)	(574,181)
Non-current portion	--	--
Facility from a local bank (Note (e) below)	114,105	114,105
Accrued commission	3,087	6,864
	117,192	120,969
Current portion	(117,192)	(120,969)
Non-current portion	--	--
Facility from a shareholder (Note (f) below)	958,252	413,476
Accrued commission	248,365	31,565
Derivative financial liability	--	7,480
Novation from MoF (Note (a) below)	2,911,604	--
	4,118,221	452,521
Current portion	(4,118,221)	(452,521)
Non-current portion	--	--
Total long-term borrowings	7,871,117	6,747,091
Current portion of long-term borrowings*	(7,871,117)	(6,747,091)
Non-current portion of long-term borrowings	--	--

* As mentioned below, the Group has not complied with the requirements of covenants related to long-term borrowing facilities, resulting in the borrowings with outstanding balance of SR 2,461 million as at 31 December 2024 being immediately due and payable on demand in accordance with the terms and conditions of the borrowings. Such borrowings have been classified as current portion in the above schedule.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

25. LONG-TERM BORROWINGS (continued)

- (a) During 2011, the Group received a loan of SR 5,000 million from the Ministry of Finance ("MoF") for the development of KAEC. The loan is denominated in SR and bears variable finance charge based on prevailing market rates of interest which are based on Saudi Arabian Interbank Offered Rate (SIBOR) plus spread. The loan is secured against pledge of 24.7 million sqm of the Group's certain land parcels and was originally repayable, with a three-year grace period, in seven annual instalments commencing from 1 September 2015. However, based on the Group's request submitted before the due date, the MoF, during September 2015, rescheduled the loan by extending the grace period for an additional period of five years. During January 2020, based on the discussions held with the MoF, the MoF has rescheduled the first instalment due in June 2020 to January 2021 with the principal amount repayable in seven instalments, commencing from January 2021, with accrued commission payable on an annual basis.

On 20 March 2021, a partial novation agreement was signed between the Group, PIF & MoF wherein they agreed on the novation of part of the loan due to MoF, amounting to SR 2.83 billion (the novation amount) from MoF to PIF. The novation agreement was approved by the Group's Board of Directors on 30 March 2021. The request to increase the Company's share capital through conversion of debt amounting to SR 2,833 million was approved by the CMA on 1 Aug 2021. Further, on 26 September 2021, the shareholders in extraordinary general assembly approved the increase of the share capital of the Company from SR 8,500 million to SR 11,333 million. Accordingly, PIF became a shareholder of the Company through issuance of 283 million new shares, at the fair value of SR 10 per share, against the debt amount of SR 2,833 million.

Further, during 2021, the Group received an approval from MoF, conditional upon signing of amendment to the original MoF loan agreement, wherein MoF approved conversion of accrued interests as of 1 June 2021 amounting to SR 363.9 million as principal outstanding and restructuring of the total remaining obligation of SR 2,531 million to be payable starting from June 2024, in six equal annual instalments of SR 361.5 million each and the final seventh instalment in June 2030 amounting to SR 361.6 million. The Group is under discussion with MoF to finalise the restructuring agreement. There are no covenants related to the facility. Subsequently, conditional approval for conversion of an additional SR 189 million was received during the period ended 31 December 2023, resulting in an aggregate amount of SR 553.2 million of accrued interest to be capitalized upon finalization of the restructured agreement.

Subsequently, a partial novation agreement was signed between the Company, PIF and MoF wherein they agreed on the novation of part of the loan due to MoF, amounting to SR 2.8 billion (the novation amount) from MoF to PIF on 20 March 2021. Further, this novation agreement had been approved by the Group's board of directors on 30 March 2021. Later on, the Group received an approval from MoF on 17 June 2021, conditional upon signing of amendment to the original MoF loan agreement, wherein MoF had approved capitalization of accrued commission as of 01 June 2021 amounting to SR 363.9 million, restructuring of the total loan repayment starting from June 2024, in six equal annual instalments of SR 361.5 million each and the final instalment in June 2030 amounting to SR 361.6 million.

On 7th September 2024 (corresponding to 04 Rabi Alawwal 1446H), the 2nd novation agreement was signed between the Company, Public Investment fund "PIF" & MoF wherein they agreed on the novation of remainder loan balance including accrued commission as at 01 June 2024 due to MoF, amounting to SAR 2,912 million (the novation amount) from MoF to PIF. Further, this novation agreement has been approved by the Company's Board of Directors on 07 September 2024.

EMAAR THE ECONOMIC CITY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

25. LONG-TERM BORROWINGS (continued)

- (b) During 2014, the Group signed an Islamic facility agreement with a commercial bank for SR 2,000 million Murabaha liquidity finance facility. As per the initial terms of the agreement, the loan was repayable in eight semi-annual instalments from 30 June 2018 to 31 December 2021. The loan is secured against certain land parcels of the Group and a promissory note for SR 1,276 million. The loan is denominated in SR and bears variable finance charge based on prevailing market rates of interest which are based on SIBOR plus spread.

During the year ended 31 December 2022, the Group entered into a revised / restructured agreement relating to the facility for the outstanding loan amount. Accordingly, as per the revised terms, the loan is repayable in fourteen semi-annual instalments starting from June 2023 to December 2029. The management has accounted for the loan modification as extinguishment of old financial liability and recognition of new financial liability as the terms of the revised loan agreement are substantially different.

There are financial debt covenants related to the facility including the cross-default clauses in respect of loan facilities with other commercial banks. As at 31 December 2024, the Group was not in compliance with certain covenants and, accordingly, the borrowings are payable on demand and, therefore, have been classified as current liability in the accompanying consolidated financial statements.

- (c) During 2014 and 2015, the Group signed two facility agreements with a commercial bank for SR 1,000 million each. As per the terms of the agreements, the loans were payable in five annual equal instalments after three years of grace period starting from respective dates of the agreements. Subsequently, an additional facility of SR 250 million was given to the Group. The loan is secured against certain land parcels of the Group and a promissory note for SR 1,700 million. The loan is denominated in Saudi Riyals and bears variable finance charge based on prevailing market rates of interest which are based on SIBOR plus spread.

During 2020, the Group entered into a revised / restructured agreement relating to the facility for the outstanding loan amount. Accordingly, as per the revised terms, the loan is repayable, after a grace period of 3 years from 2020 to 2022, in eight semi-annual unequal instalments from April 2024 to April 2030. The management has determined the impact of modification, related to the amendment of certain terms and conditions including repayment schedule, as immaterial.

There are non-financial debt covenants related to the facility including the cross-default clauses in respect of loan facilities with other commercial banks. As at 31 December 2024, the Group was not in compliance with certain covenants and, accordingly, the borrowings are payable on demand and, therefore, have been classified as current liability in the accompanying consolidated financial statements.

- (d) During 2015, the Group signed an Islamic facility agreement with a commercial bank for SR 1,000 million. As per the initial terms of the agreement, the loan was repayable in eight semi-annual instalments from October 2019 to April 2023. The loan is secured against certain land parcels of the Group and a promissory note for SR 587.5 million. The loan is denominated in Saudi Riyals and bears variable finance charge based on prevailing market rates of interest which are based on SIBOR plus spread.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

25. LONG-TERM BORROWINGS (continued)

During 2021, the Group entered into a revised / restructured agreement relating to the facility for the outstanding loan amount. Accordingly, as per the revised terms, the existing facilities which consisted of long-term and short-term loan were restructured into a long-term loan repayable in fourteen semi-annual instalments starting from April 2023 to April 2029.

There are financial and non-financial debt covenants related to the facility including the cross-default clauses in respect of loan facilities with other commercial banks. As at 31 December 2024, the Group was not in compliance with certain covenants and, accordingly, the borrowings are payable on demand and, therefore, have been classified as current liability in the accompanying consolidated financial statements.

- (e) During 2018, the Group availed a short-term facility from a commercial bank, amounting to SR 250 million, to finance the working capital requirements.

During 2020, the Group signed a revised facility letter agreement for working capital facility amounting to SR 170 million and a documentary credit ("DC") facility of SR 20 million with the same commercial bank. Accordingly, as per the revised terms, the loan is repayable in eight semi-annual equal instalments over 4 years starting from August 2021, subsequent to the payment of SR 21.25 million in February 2021. The loan is denominated in SR and bears fixed finance charge. The loan is secured against certain land parcels of the Group and a promissory note for SR 209 million. The management has accounted for the loan modification as extinguishment of old financial liability and recognition of new financial liability as the terms of the revised loan agreement are substantially different.

There are no covenants related to the facility.

During 2022, the Group requested the bank for extending the maturity of installment amounting to SR 18.6 million due on 25 August 2022 and the bank has extended the payment date of installment for 60 days which was again deferred on 6 November 2022 for 86 days.

As at 31 December 2024, DC facility has not been fully utilized by the Group.

- (f) During February 2023, the Group signed a Term Loan Facility with one of its substantial shareholders, PIF, for up to SR 1,000 million to be repaid after 21 months through a single bullet payment at maturity. Financial costs on the facility will be based on SIBOR + spread. The loan contains a conversion option to equity, exercisable by PIF, subject to certain required approvals under the applicable laws and regulations. The loan is secured against certain real estate assets within KAEC. The loan facility will be used to finance specific critical expenses including strategic capital expenditures. As at 31 December 2024, the Group has drawn SR 1,000 million from this loan facility.

The loan contained an embedded derivative due to the presence of a call option in the loan arrangement. The Group has recognized fair value gain amounting to SR 12.7 million as a result of change in fair value from year end 31 December 2023. The carrying value of embedded derivative is nil. There are non-financial debt covenants related to the facility including cross-default clauses in respect of loan facilities with commercial banks. As at 31 December 2024, the Group was not in compliance with certain covenants and, accordingly, the borrowings are payable on demand and, therefore, have been classified as current liability in the accompanying consolidated financial statements.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

25. LONG-TERM BORROWINGS (continued)

On 7th September 2024, MoF loan of SAR 2,912 million has been novated to PIF (refer note 25a).

On 7 September 2024, the Group and PIF entered into conversion agreement under which all loan due to PIF would be converted into equity. Subsequent to the year end, addendum to the conversion agreement has been signed with PIF (refer Note 39).

- (g) On 7th September 2024, the Company signed a non-binding term sheet to reschedule its financing agreements amounting to SAR 3,471 (refer Note b, c, d & e above) under one common terms arrangement. As part of the rescheduling, a new credit facility amounting to SAR 301.4 million would be made available to the Company by the Banks as an “Additional Facility”.

The term sheet sets out the main provisions initially agreed but is subject to agreeing and signing final legally binding agreements to be entered into between the Company and the Banks.

26. SHORT-TERM BORROWINGS

The Group obtained short-term loan facility from a local commercial bank aggregating to SR 300 million as of 31 December 2024 (31 December 2023: SR 300 million). The facility bears financial costs at market rate which is based on SIBOR and is collateralised by promissory notes. The covenants of the short-term loan facility require the Group to maintain certain level of financial conditions and certain other matters. As at 31 December 2024, the Group was not in compliance with certain covenants, however, there was no impact of such non-compliance on the accompanying consolidated financial statements as the borrowing is already classified as a current liability based on its contractual maturity.

Subsequent to the year end 31 December 2024, the Group obtained approval from lender to rollover the loan facility to 30 January 2025.

The unused balance of the facilities as at 31 December 2024 amounted to SR 150 million (31 December 2023: SR 126.5 million).

27. EMPLOYEE BENEFIT OBLIGATIONS

General Description of the plan

The Group operates an unfunded defined benefit plan in line with the labor law requirement in the Kingdom of Saudi Arabia. The end of service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the labor laws of the Kingdom of Saudi Arabia. The benefit payments are due upon termination of or resignation from employment. An independent actuary carried out latest valuation of employee benefit obligations under the projected unit credit method as at 31 December 2024 for the Group.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

27. EMPLOYEE BENEFIT OBLIGATIONS (continued)

	31 December 2024	31 December 2023
Balance at the beginning of the year	41,630	40,841
Included in consolidated statement of profit or loss		
Current service cost	9,402	10,154
Interest cost	1,978	1,838
	11,380	11,992
Included in consolidated other comprehensive income		
Remeasurement gain arising from experience adjustments	(3,939)	(2,522)
Benefits paid	(5,468)	(8,681)
Employees left but unpaid	1,880	--
Balance at the end of the year	45,483	41,630

Actuarial assumptions

The following were the significant actuarial assumptions applied at the reporting date:

	2024	2023
Discount rate	5.50%	4.75%
Expected rate of future salary increase	5.0%	5.0%
Retirement age	60 years	60 years

The sensitivity of employee benefit obligations, as at 31 December, to changes in the weighted principal assumptions is as follows:

		Impact on ETB liability Increase / (decrease)			
		31 December 2024		31 December 2023	
Change in assumption by		Increase in rate	Decrease in rate	Increase in rate	Decrease in rate
Discount rate	1%	(3,283)	3,780	(3,194)	3,690
Expected rate of future salary increase	1%	3,761	(3,328)	3,643	(3,216)

The weighted average duration of the defined benefit obligation for 2024 is 8 years (31 December 2023: 9 years).

EMAAR THE ECONOMIC CITY
 (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

27. EMPLOYEE BENEFIT OBLIGATIONS (continued)

The expected maturity analysis of undiscounted employee end of service benefits is as follows:

	31 December 2024	31 December 2023
Less than a year	6,781	4,429
Between 1-2 years	2,938	4,317
Between 2-5 years	10,643	8,698
Over 5 years	52,237	48,192
	72,599	65,636

28. TRADE AND OTHER PAYABLES

	31 December 2024	31 December 2023
	Note	
Accrued expenses and other payables	270,982	213,079
Trade payables	183,915	203,826
Assessed zakat liability	28.2 240,420	--
Retentions payable	157,174	190,994
Contractors accrued balances	96,456	96,455
Amounts due to related parties	31 7,653	4,416
Others	28.1 16,590	16,590
	973,190	725,360

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

Retention payables consist of amount due to be settled to sub-contractors based on agreed terms. The amount has been classified as under current based on expected date of settlements which are within 12 months.

Accrued expenses comprise of accruals in respect of procurement costs, marketing costs, maintenance, and employee costs.

28.1 The Board of Directors decided in 2006 to donate the amount earned on the founding shareholders' share capital contribution (before initial public offering) placed in fixed deposits maintained with a bank before placing funds under an Islamic deposit scheme. Commission earned on this deposit is added to the amount to be donated for charitable purposes.

28.2 This amount is transferred from zakat provision based on decision made by TVDAC regarding zakat assessment for the prior periods. During the year, SR 12.78 was paid from the Zakat Liability.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

29. CONTRACT LIABILITIES

Contract liabilities represents excess of billings against recognised revenue, advance amount received against sale and advance rent in respect of residential and industrial units and plots of land and amount received against tuition fees.

Following is the movement of contract liability:

	31 December 2024	31 December 2023
At the beginning of the year	712,349	986,638
Revenue recognised during the year from opening balance	(168,204)	(244,095)
Revenue recognised during the year from new contract liabilities	(109,750)	(346,476)
Billing raised / advance received during the year	170,649	316,282
	605,044	712,349

In the case of sale of development property and education services the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

In the case of leasing services, the customer pays the fixed amount based on a payment schedule. If the rental income recognized in accordance with IFRS 16 exceed the payment, a contract asset is recognised. If the payments exceed rental income recognized in accordance with IFRS 16, a contract liability is recognised.

During the year ended 31 December 2024, Contract liabilities has been shown separately on the face of consolidated statement of financial position for better presentation purposes.

30. ZAKAT

30.1 Charge for the year

	31 December 2024	31 December 2023
Provision for current year Zakat expense	10,000	45,000
Charge for the open assessments	66,032	--
	76,032	45,000

The provision for the year is based on the consolidated Zakat base of the Group.

EMAAR THE ECONOMIC CITY
 (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

30. ZAKAT (continued)
30.2 Movement in provision

The movement in the Zakat provision is as follows:

	31 December 2024	31 December 2023
At the beginning of the year	250,738	215,458
Charge for the current year	10,000	45,000
Transfer to liability (Note 28.2)	(253,198)	--
Charge for the open assessments	66,032	--
	(177,166)	45,000
Payments during the year	(25,363)	(9,720)
At the end of the year	48,209	250,738

30.3 Components of zakat base

The Company and its fully owned Saudi Arabian subsidiaries file zakat declarations on a consolidated basis in accordance with the regulations of the ZATCA. The significant components of the zakat base under zakat and income tax regulation are principally comprised of shareholders' equity, provisions at the beginning of period, loans and borrowings and estimated income subject to zakat, less deductions for the net book value of property and equipment, investment properties and certain other items. Zakat is payable at 2.58% of approximate zakat base (excluding adjusted net income for the period) and at 2.5% of the adjusted net profit for the period.

30.4 Status of assessments
a) Emaar The Economic City (EEC)

Zakat assessment for the Group is finalized until 2011 as well as 2019 and 2020 with the exception of the Withholding Tax ["WHT"] assessment for the years 2006 to 2008.

The Zakat, Tax and Customs Authority ["ZATCA"] issued a WHT assessment for the years 2006 to 2008 with an additional WHT liability of SR 3.96 million in addition to delay fines of SR 2 million on the additional WHT. EEC has paid the WHT liability "under protest" in compliance with the appeal procedures.

The WHT case was also under the review of the Board of Grievance ["BOG"]. BOG issued a decision supporting EEC's objection relating to the delay fine and ruled against the Company on imposition of WHT. The ZATCA has filed an appeal with the Royal Court against the BOG's decision in respect of the delay fine, which is pending adjudication.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

30. ZAKAT (continued)

30.4 Status of assessments (continued)

ZATCA issued a revised assessment for the year 2014 on 8 October 2020 with a Zakat liability of SR 33 million reduced from SR 67.7 million. The Company filed an appeal against the revised assessment with the Tax Violations and Dispute Resolution Committee ["TVDRC"]. The TVDRC rendered its decision on 28 December 2021 and partially accepted the Company's appeal resulting in a reduced Zakat liability of SR 21 million. EEC and the ZATCA have filed appeals with the Tax Violations and Dispute Appellate Committee ["TVDAC"] against the TVDRC's decision. On 4 July 2024, the TVDAC issued its decision requesting for the case to be returned to the TVDRC for re-adjudication of one of the items under appeal. On 4 November 2024, the TVDRC issued its decision for the concerned item in favour of the ZATCA and subsequently, EEC filed an appeal with the TVDAC requesting for a detailed decision on all items under appeal.

ZATCA has issued a revised assessment for the years 2015 to 2018 on 24 February 2021 with a Zakat liability of SR 247 million reduced from SR 254 million. The Company filed an appeal against the ZATCA's revised assessment with the TVDRC. The TVDRC rendered its decision on 11 April 2022 and partially accepted the Company's appeal resulting in a reduced Zakat liability of SR 219 million. EEC and the ZATCA have filed appeals with the TVDAC against the TVDRC's decision. On 2 May 2024 the TVDAC rendered its decision against the ZATCA's revised assessment. EEC filed a reconsideration request which was rejected on 18 December 2024. EEC has agreed an installment plan with the ZATCA to settle the Zakat liability as per TVDAC decision. EEC is also considering filing another reconsideration request.

EEC has filed consolidated Zakat returns up to the year 2023 and information returns for the group entities. The ZATCA has issued the final Zakat certificate for the year 2023, valid until 30 April 2025.

On 22 June 2023, the ZATCA issued queries on the Zakat return filed for the years 2021 and 2022 and EEC has submitted the requested information.

EEC has submitted the application to apply the New Zakat Regulations introduced through Ministerial Resolution ["MR"] No. 1007, for 2021 to 2023 on 19 May 2024. The ZATCA confirmed initial acceptance of the application request for 2021 and 2022 on 20 May 2024 and for 2023 on 22 May 2024.

b) IZDCL

Zakat status of the Company is finalized up to the year 2012 as well as the years 2014 to 2017.

Subsequent to year-end, the ZATCA issued final assessment for 2013 with additional Zakat liabilities of SR 2.1 million. IZDCL filed an objection against the ZATCA's assessment which was not accepted by the ZATCA.

On 4 June 2024, IZDCL escalated its objection with the TVDRC against the ZATCA's assessment for 2013. On 30 September 2024, the TVDRC issued its decision which was in favour of the ZATCA.

On 30 October 2024, IZDCL filed an appeal against the TVDRC's decision with the TVDAC and submitted its response to ZATCA's memorandum. Currently, the case is pending adjudication by the TVDAC.

IZDCL has submitted the Zakat/information return up to the year 2023. The ZATCA has issued the final Zakat certificate for the year 2023, valid until 30 April 2025.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

30. ZAKAT (continued)

30.4 Status of assessments (continued)

c) RED

RED has finalized its Zakat assessments for 2015 to 2017 noting no assessments have been issued by the ZATCA for 2013 and 2014.

RED has filed the Zakat/information return up to the year 2023. The ZATCA has issued the final Zakat certificate for the year 2023, valid until 30 April 2025.

d) REOM

REOM has submitted the Zakat/information return up to the year 2023. The ZATCA has issued the final Zakat certificate for the year 2023, valid until 30 April 2025.

The ZATCA has not issued any assessments.

e) ECIC

ECIC finalized its assessment up to 2012.

ECIC has submitted the Zakat/information return up to the year 2023. The ZATCA has issued the final Zakat certificate for the year 2023, valid until 30 April 2025.

f) EKC

EKC has finalized its Zakat assessments for 2017 noting no assessment has been issued by the ZATCA for 2016.

EKC has submitted the Zakat/information return up to the year 2023. The ZATCA has issued the final Zakat certificate for the year 2023, valid until 30 April 2025.

g) REM

REM has submitted the Zakat/information return up to the year 2023. The ZATCA has issued the final Zakat certificate for the year 2023, valid until 30 April 2025.

The ZATCA has not issued any assessments.

In relation to the aforementioned assessments, the management has applied its judgement and interpretation of the ZATCA requirements and applicable regulations and is confident that the matters will be ultimately decided in the Group's favour. Further, where adjudication pending appropriate provision has been made in relevant financial year.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

31. RELATED PARTY MATTERS

Related parties include shareholders, directors, associated companies and key management personnel of the Group. Further, these also includes entities controlled or jointly controlled such parties.

The Government of Kingdom of Saudi Arabia controls Public Investment Fund which exercises significant influence over the Group due to its shareholding. As a result, the Government of Saudi Arabia, semi-Government and other entities with Government ownership or control, including, but not limited to ministries, regulatory bodies and authorities are related parties of the Group. In accordance with the exemption in IAS 24, the management has adopted a partial exemption for disclosure of transactions and balances for government-related entities as required under IAS 24.

The related parties, other than subsidiaries and associates, include the following:

<u>Name</u>	<u>Relationship</u>
Ports Development Company	Joint Venture
Biyoutat Progressive Company for Real Estate Investment & Development	Joint Venture
RIXOS - AlBilad Tourism Fund	Associate
Public Investment Fund (PIF)	Shareholder
Various government related entities	

EMAAR THE ECONOMIC CITY
 (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

31. RELATED PARTY MATTERS (continued)

In addition to Note 17, 21, 23 and 25, following are the significant related party transactions during the year and the related balances:

Related party	Nature of transactions	Transactions		Balance as at	
		<u>2024</u>	<u>2023</u>	<u>31 December 2024</u>	<u>31 December 2023</u>
Amounts due from related parties					
Government related entities RIXOS - AIBilad Tourism Fund Biyoutat Progressive Company for Real Estate Investment & Development Ports Development Company	Lease, service and utility charges	18,596	68,952	33,348	67,988
	Sale of properties	45,211	39,448	--	--
	Lease, service and utility charges	--	--	402	402
	Lease, service and utility charges	--	--	180	180
Key management personnel					
	Lease	--	16	--	--
	Sale of properties, utilities and service charges	--	12	--	8
	Accommodation charges	--	--	--	--
	Advances	--	--	--	--
Board of Directors					
	Lease, service and utility charges	19	19	98	76

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2024
(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

31. RELATED PARTY MATTERS (continued)

Related party	Nature of transactions	Transactions		Balance as at	
		2024	2023	31 December 2024	31 December 2023
Amounts due to related parties					
Government related entities	Services received	18,803	7,582	119,109	120,969
Public Investment Fund (PIF)	Loan obtained	3,461,604	450,000	3,911,604	445,041
	Accrued interest	175,052	31,565	206,617	--
Key management personnel					
	Remuneration	13,894	17,858	--	--
	Lease, Service and Utility Charges	--	43	--	--
Board of directors					
	Remuneration and meeting fees	5,720	4,400	5,720	4,400
	Advances	--	--	16	16

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

31. RELATED PARTY MATTERS (continued)

Compensation of key management personnel of the Group

	31 December 2024	31 December 2023
Short-term employee benefits	12,490	13,204
Non-monetary benefits	405	798
Post-employment benefits	999	557
Bonus	--	828
Termination benefits	--	2,471
	13,894	17,858

Key management personnel comprise Chief Executive Officer and heads of departments. Compensation of the Group's key management personnel includes salaries, non-cash benefits and contributions to a post-employment defined benefit plan.

32. OTHER PROVISIONS

The Group, from time to time, is a defendant in lawsuits, which mainly represent commercial disputes. During the year ended 31 December 2024, management had recorded a provision amounting to SR 19.16 million for certain existing and potential lawsuits, where the management expects an unfavorable outcome based on the consultation with its legal advisors. The balance of SR 43.97 million mainly represent provision required at the end of year 2024.

33. CONTINGENT LIABILITIES AND COMMITMENTS

In addition to disclosure set out in Notes 17 and 30, contingent liabilities and commitments, as at 31 December 2024, are described as below:

- Based on management's assessment and consultation with its Zakat advisors, management has assessed potential exposure arising from open Zakat assessments and, accordingly the Group has recorded a provision amounting to SR 38.21 million. Refer to Note 30 for zakat related contingencies.
- The Group's outstanding commitments related to future expenditure for the development of KAEC in the coming few years related to property and equipment, investment properties and development properties amounts to SR 554.70 million, SR 150.97 million and SR 85.53 million respectively (31 December 2023: SR 297.43 million, SR 156.33 million and SR 58.55 million).
- The Group has no outstanding commitments related to letter of guarantee and letters of credit (31 December 2023: SR 22.82 million and SR 1.50 million respectively).
- Refer to Note 17 for equity accounted investee related contingency.
- The Group's share in the capital commitments of the joint venture is SR 16.31 million (31 December 2023: SR 130.41 million).
- Refer to Note 15 for future minimum rentals receivable.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

34. SEGMENTAL INFORMATION

Basis of segmentation

For management purposes, the Group has five strategic divisions, which are its operating segments. These divisions offer different products and/or services and are managed separately. Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors (BOD) and CEO, (together chief operating decision maker, CODM). The CODM assesses the financial performance and position of the Group and makes strategic decisions including resource allocation.

The CODM primarily uses a measure of profit / loss before tax to assess the performance of the operating segments. However, the CODM also receives information about the segments' revenue on a quarterly basis.

The profit / loss before tax of the Group's operating segments reported to the CODM are measured in a manner consistent with that in consolidated statement of profit or loss and other comprehensive income. Hence a reconciliation is therefore not presented separately.

Financial income charges are not allocated to operating segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

Reportable segments	Operations
Residential business	Includes revenue from sale/lease rental income of land and units for residential purposes.
Industrial development	Includes revenue from sale/lease rental income of land and units for commercial purposes and situated in industrial zone.
Hospitality and leisure	Includes room rent, food and beverages and other related services from operations of hotels, resorts and other leisure clubs.
Education services	Includes revenue from tuition and other fees from schools and colleges operated by the Group.
City operations	Includes revenue from utilities and other city management services by the Group in KAEC.

EMAAR THE ECONOMIC CITY
 (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

34. SEGMENTS RELATED REVENUE AND PROFITABILITY (continued)

	Residential business	Industrial development	Hospitality and leisure	Education	City operations	Total Segments	Adjustments and eliminations	Consolidated
For the year ended 31 December 2024								
Revenue *	121,525	130,189	69,776	74,934	26,132	422,556	3,414	425,970
External customers	5,857	--	28,569	--	67,294	101,720	(101,720)	--
Inter-segment	127,382	130,189	98,345	74,934	93,426	524,276	(98,306)	425,970
Results								
Cost of inventories and services recognised as an expense	(102,445)	(37,928)	(39,850)	(5,061)	(120,287)	(305,571)	60,378	(245,193)
Impairment loss on financial and contract assets	119,699	18,834	(2,488)	2,565	23,014	161,624	(91,811)	69,813
Financial charges	(188)	--	(2,101)	(543)	--	(2,832)	(617,620)	(620,452)
Financial income	--	--	--	--	--	--	2,857	2,857
Depreciation	(36,006)	(22,707)	(62,308)	(14,167)	(2,138)	(137,326)	(113,083)	(250,409)
Amortisation	(230)	--	--	(6)	--	(236)	(1,551)	(1,787)
Share of results of equity accounted investee	--	--	--	--	--	--	(92,832)	(92,832)
Other (expenses) / income**	(29,731)	21,053	(50,656)	(96,520)	(23,467)	(179,321)	(167,179)	(346,500)
Profit/(Loss) before Zakat	78,481	109,441	(59,058)	(38,798)	(29,452)	60,614	(1,119,147)	(1,058,533)
Zakat	--	--	--	--	--	--	(76,032)	(76,032)
Profit/(Loss) for the year	78,481	109,441	(59,058)	(38,798)	(29,452)	60,614	(1,195,179)	(1,134,565)

* Major revenue is generated from sale of development properties. During the year, substantial revenue is generated from Vivenda and Rixos deals.

** This also includes reversal on impairment loss amounting SR 1.1 million on corporate assets (also refer note 15.11).

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

34. SEGMENTS RELATED REVENUE AND PROFITABILITY (continued)

	Residential business	Industrial development	Hospitality and leisure	Education	City operations	Total Segments	Adjustments and eliminations	Consolidated
For the year ended 31 December 2023								
Revenue								
External customers	444,776	310,747	125,644	56,769	30,318	968,254	63,103	1,031,357
Inter-segment	11,196	--	39,702	--	65,431	116,329	(116,329)	--
	455,972	310,747	165,346	56,769	95,749	1,084,583	(53,226)	1,031,357
Results								
Cost of inventories and services recognised as an expense	(133,985)	(76,853)	(49,838)	(3,915)	(69,326)	(333,917)	45,496	(288,421)
Impairment loss on financial and contract assets	(15,847)	(3,345)	13,733	(5,623)	(2,047)	(13,129)	(5,986)	(19,115)
Financial charges	(103)	--	(2,545)	(373)	--	(3,021)	(480,826)	(483,847)
Financial income	--	--	--	--	--	--	2,110	2,110
Depreciation	(35,277)	(23,220)	(66,936)	(14,113)	(2,464)	(142,010)	(113,875)	(255,885)
Amortisation	(17)	--	--	(36)	--	(53)	(632)	(685)
Share of results of equity accounted investee	--	--	--	--	--	--	1,736	1,736
Other (expenses) / income	(24,883)	31,732	(38,424)	(27,526)	(18,648)	(77,749)	(117,721)	(195,470)
Profit/(loss) before Zakat	245,860	239,061	21,336	5,183	3,264	514,704	(722,924)	(208,220)
Zakat	--	--	--	--	--	--	(45,000)	(45,000)
Loss for the year	245,860	239,061	21,336	5,183	3,264	514,704	(767,924)	(253,220)

EMAAR THE ECONOMIC CITY
 (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

35. NON-CASH SUPPLEMENTARY INFORMATION

	<u>Notes</u>	31 December 2024	31 December 2023
Transfer of investment properties to development properties	15, 18	<u>1,328</u>	<u>59,574</u>

36. FINANCIAL INSTRUMENTS RISK MANAGEMENT
Overview

The Group's activities may expose it to a variety of financial risks. The Group's overall risk management program focuses on robust liquidity management as well as monitoring of various relevant market variables, thereby consistently seeking to minimize potential adverse effects on the Group's financial performance.

The Group may expose to the following risks from its use of financial instruments:

- Credit risk;
- Market risk (commission rate risk, currency risk and price risk)
- Liquidity risk.

This note presents information about the Group's possible exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk.

The Board of Directors has an overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's senior management are responsible for developing and monitoring the Group's risk management policies and report regularly to the Board of Directors on their activities.

The Group's risk management policies (both formal and informal) are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The Group's principal financial liabilities comprise of trade and other payables, lease liabilities and long-term and short-term borrowings. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include investment in equity accounted investees, employees' receivable – home ownership scheme, unbilled revenue, trade receivables and other current assets, restricted cash and cash and cash equivalents.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

36. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

The Board of Directors reviews and agrees policies for managing each of the following risks which are summarised below:

36.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is exposed to credit risk principally from its employees' receivable – home ownership scheme, unbilled revenue, trade receivables and other current assets.

Customer credit risk is assessed by the Group according to the Group's established policy, procedures and controls relating to customer credit risk management. Credit quality of a customer is assessed based on a credit rating process. Each new customer is analysed individually for credit worthiness before entering into contract with the customer.

The Group seeks to manage its credit risk with respect to customers by monitoring outstanding receivables. Certain sales pertaining to real estate are made on instalment basis. The sale agreements with customers provide that the title to the property is transferred to the customers only upon the receipt of complete sale price. The collection department monitors the situation of outstanding receivables and follows up with customers for the payments in accordance with the contractual terms. The five largest customers account for 28.37% (31 December 2023: 26.75%) of outstanding trade receivables as at 31 December 2024. Payment term varies from product to product with some exceptions at the customer level.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for various customer segments with similar loss patterns. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors (such as GDP forecast and inflation rate) affecting the ability of the customers to settle the receivables. The fair value of the collateral where relevant is incorporated in LGD. The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

With respect to credit risk arising from the other financial assets of the Group, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Credit risk from balances with banks and financial institutions is managed by Group's treasury in accordance with the Group's policy. Given the profile of its bankers, management does not expect any counterparty to fail meeting its obligations. The Group deals with reputable banks with investment grade credit ratings and the credit quality of these financial assets can be assessed by reference to external credit ratings. Credit risk on cash at banks and restricted cash is limited as these are held with banks with sound credit ratings ranging from BBB+ and above. While cash and cash equivalents and other receivables are also subject to impairment requirements of IFRS 9 'Financial Instruments' ('IFRS 9'), these are considered as low risk and the impairment loss is not expected to be material.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

36. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

The Group's gross maximum exposure to credit risk at the reporting date is as follows:

	31 December 2024	31 December 2023
Unbilled revenue	419,295	568,847
Employees' receivable – home ownership scheme	56,967	61,238
Trade receivables and other current assets	474,067	491,745
Restricted cash	3,758	3,405
Cash and cash equivalents	252,367	179,077
	<u>1,206,454</u>	<u>1,304,312</u>

Excessive risk of concentration

Concentration arises when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of risk is managed through focus on the maintenance of a diversified portfolio. In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

36.2 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Market risk comprises of three types of risk: currency risk, commission rate risk and other price risk.

i. Commission rate risk

Commission rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market commission rates.

The Group's exposure to the risk of changes in market commission rates may relate primarily to the Group's long-term and short-term borrowings with floating commission rates. The Group manages the commission rate risk by regularly monitoring the commission rate profiles of its commission bearing financial instruments.

As at 31 December, 2024, the fair value of the borrowings and their carrying values are estimated to approximate their fair values.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

36. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

Commission rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in commission rates on long term loans. With all other variables held constant, the Group's loss before tax is affected through the impact on floating rate borrowings, as follows:

	Increase/decrease in basis points	Effect on loss before Zakat
2024	+100	(72,394)
	-100	72,394
2023	+100	(65,962)
	-100	65,962

The assumed movement in basis points for the commission rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility than in prior years.

The weighted average rate for the Group's long-term borrowings is approximately 8.14% (31 December 2023: 6.76%).

ii. Currency risk

Currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in foreign exchange rates. The Group did not undertake significant transactions in currencies other than SR and US Dollars. As US Dollar is pegged to SR, the Group is not exposed to significant currency risk.

iii. Price risk

The Group has no significant exposure to price risk as it does not hold any equity securities or commodities.

36.3 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments. The cash flows, funding requirements and liquidity of Group companies are monitored on a centralised basis, under the control of Group Treasury. The objective of this centralised system is to optimise the efficiency and effectiveness of the management of the Group's capital resources. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank borrowings. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and borrowing facilities, by continuously monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group's management has developed a plan to enable the Group to meet both its obligations as they become due and to continue its operations, without significant curtailment, as a going concern (refer Note 1).

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

36. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

Financial liabilities

	31 December 2024				
	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Over 5 years
Loans and borrowings	7,871,117	--	--	--	--
Lease liabilities	40,240	--	12,862	25,249	--
Short-term borrowings	--	161,386	--	--	--
Trade and other payables	--	--	973,190	--	--
	7,911,357	161,386	986,052	25,249	--
					7,871,117
					78,351
					161,386
					973,190
					9,084,044

	31 December 2023				
	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Over 5 years
Loans and borrowings	6,747,091	--	--	--	--
Lease liabilities	47,952	56	10,010	35,706	--
Short-term borrowings	--	152,429	--	--	--
Trade and other payables	--	--	725,360	--	--
	6,795,043	152,485	735,370	35,706	--
					6,747,091
					93,724
					152,429
					725,360
					7,718,604

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

36. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

Financial assets

	31 December 2024		
	Less than 12 months	More than 12 months	Total
Trade receivables and other current assets	474,067	--	474,067
Restricted cash	3,707	51	3,758
Cash and cash equivalents	252,367	--	252,367
	730,141	51	730,192
	31 December 2023		
	Less than 12 months	More than 12 months	Total
Trade receivables and other current assets	491,745	--	491,745
Restricted cash	3,354	51	3,405
Cash and cash equivalents	179,077	--	179,077
	674,176	51	674,227

EMAAR THE ECONOMIC CITY
 (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

37. CAPITAL MANAGEMENT

Capital includes equity attributable to the ordinary equity holders of the Parent Company. The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The primary objective of the Group's capital management strategy is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustment in light of changes in economic conditions and the requirements of the financial covenants. The capital structure includes all component of shareholders' equity amounting to SR 5.67 billion. The Group maintains credit facilities with banks to maintain its working capital requirements. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, the ratio is calculated based on the net debt divided by total capital. At 31 December 2024, the Group's gearing ratio is 59.86% (31 December 2023: 51.53%). The target of the Group is to keep the gearing ratio below 50%.

	2024	2023
Borrowings	8,032,503	6,899,521
Lease liabilities	75,353	89,006
Less: cash and cash equivalents	(252,367)	(179,077)
Net debt (A)	7,855,489	6,809,450
Total equity (B)	5,266,911	6,406,248
Total capital (A+B)	13,122,400	13,215,698
Gearing ratio (A / (A+B))	59.86%	51.53%

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call borrowings. There have been breaches of the financial covenants of borrowings in the current year (refer Note 25 & 26). No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2024 and 31 December 2023. Also see Note 1.

Net debt reconciliation of the Group is as follows:

	Borrowings	Leases	Net debt
1 January 2023	(6,241,055)	(81,263)	(6,322,318)
Finance costs	(481,711)	(2,136)	(483,847)
Proceeds	(450,000)	(5,607)	(455,607)
Repayment of loan and borrowing	51,288	--	51,288
Finance cost paid	192,914	--	192,914
Fair value liability adjustments	29,043	--	29,043
31 December 2023	(6,899,521)	(89,006)	(6,988,527)
Finance costs	(635,070)	(1,999)	(637,069)
Proceeds	(550,000)	(4,423)	(554,423)
Repayment of loan and borrowing	--	13,400	13,400
Finance cost paid	39,383	6,675	46,058
Fair value liability adjustments	12,705	--	12,705
31 December 2024	(8,032,503)	(75,353)	(8,107,856)

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

38. FAIR VALUE OF ASSETS AND LIABILITIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement. The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers among the levels during the period.

As at the reporting date, management believes that, in lieu of the tenor and interest rate profile (where applicable), the carrying value of Group's financial assets and liabilities approximate their fair values and are measured at amortized cost. For fair value of investment properties refer Note 15.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

39. SUBSEQUENT EVENT

Except for the matters outlined below, no event has occurred up to and including the date of approval of these consolidated financial statements by the Board of Directors that could materially affect these financial statements and the related disclosures for the year ended December 31, 2024.

Subsequent to the year ended 31 December 2024, the Board of Directors, through a resolution issued by circulation on 08 March 2025, amended the original recommendation to increase the amount of debt to be converted from SR 3,972,415,091 to SR 4,118,221,465. This increase reflects the inclusion of all interest, commissions, and fees up to 31 December 2024. Moreover, on 09 March 2025, the Group entered into an addendum to the Conversion Agreement with PIF to incorporate this increase and agree upon the conversion mechanics.

Subsequent to the year ended 31 December 2024, On 18 March 2025, the Group and Public Investment Fund (PIF) entered into a binding agreement for the PIF to make available a SAR 1,000 million shareholder loan. The form of this agreement was an amendment and restatement agreement to the shareholder loan already in place with the PIF in relation to the previous fully utilized SAR 1,000 million shareholder loan entered into on 19 February 2023

These event does not require adjustment to the consolidated financial statements for the year ended 31 December 2024.

40. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorized for issue by the Board of Directors on 26 March 2025, corresponding to 26 Ramadan 1446H.

11.2 Condensed pro forma consolidated financial information of the Company for the nine-month period ended 30 September 2024G.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

**PRO FORMA CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

For the nine-months period ended 30 September 2024
with

INDEPENDENT PRACTITIONER'S ASSURANCE REPORT

EMAAR THE ECONOMIC CITY (A SAUDI JOINT STOCK COMPANY)**PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION**For the nine-months period ended 30 September 2024

Contents	Page No.
Independent Practitioner's Assurance Report on the Compilation of Pro forma Condensed Consolidated Financial Information Included in a Shareholders' Circular	1-3
Pro Forma Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	4
Pro Forma Condensed Consolidated Statement of Financial Position	5-6
Pro Forma Condensed Consolidated Statement of Changes in Equity	7
Pro Forma Condensed Consolidated Statement of Cash Flows	8-9
Notes to the Pro Forma Condensed Consolidated Financial Information	10-23



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Commercial Registration No 4030290792

Headquarters in Riyadh

شركة كي بي إم جي للاستشارات المهنية مساهمة مهنية

مركز زهران للأعمال
شارع الأمير سلطان
ص. ب. 55078
جدة 21534
المملكة العربية السعودية
سجل تجاري رقم 4030290792

المركز الرئيسي في الرياض

Independent Practitioner's Assurance Report on the Compilation of Pro forma Condensed Consolidated Financial Information Included in a Shareholders' Circular To the Shareholders of Emaar the Economic City

Introduction

We have completed our assurance engagement to report on the compilation of Pro forma condensed consolidated financial information (hereinafter referred to as the "Pro forma financial information") of Emaar the Economic City (the "Company"), its subsidiaries (collectively the "Group") by the management. The Pro forma financial information consists of the Pro forma condensed consolidated statement of profit or loss and other comprehensive income for the nine-month period ended 30 September 2024, the Pro forma condensed consolidated statement of financial position as at 30 September 2024, the Pro forma condensed consolidated statement of changes in equity and cash flows for the nine-month period ended 30 September 2024 and related notes as set out in section 5 of the Shareholders' circular issued by the Group. The applicable criteria and the requirements on the basis of which the management has compiled the Pro forma financial information are specified in Annex 19 of the Rules on the Offer of Securities and Continuing Obligations issued by the Board of the Capital Market Authority in the Kingdom of Saudi Arabia and described in note 2.1.

The Pro forma financial information has been compiled by the management to illustrate the impact of the Transactions set out in note 2.1 of the Pro forma financial information (the "transactions") on the Group's financial position as at 30 September 2024 and its financial performance and cash flows for the nine-month period ended 30 September 2024 as if the transactions had taken place at 30 September 2024. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the management from the Group's unaudited condensed consolidated interim financial statements as at and for the nine-month period ended 30 September 2024, on which our review report with an emphasis of matter paragraph related to going concern has been published. Annexure 2 of the Shareholders' circular contains additional information on the nature of the emphasis of matter, and the effect on the Group's financial statements.

Management's Responsibility for the Pro Forma Financial Information

The management is responsible for compiling the Pro forma financial information on the basis of Annex 19 of the Rules on the Offer of Securities and Continuing Obligations issued by the Board of the Capital Market Authority in the Kingdom of Saudi Arabia and as described in note 2.1.

KPMG Professional Services Company, a professional closed joint stock company registered in the Kingdom of Saudi Arabia with a paid-up capital of SAR110,000,000 and a non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. Commercial Registration of the headquarters in Riyadh is 1010425494.

شركة كي بي إم جي للاستشارات المهنية مساهمة مهنية، مسجلة في المملكة العربية السعودية، رأسمالها (110,000,000) ريال سعودي مدفوع بالكامل، وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والأفiliate لشركة كيو في سي لمؤسسة استثمارية. رقم السجل التجاري للمركز الرئيسي في الرياض هو 1010425494.



Independent Practitioner's Assurance Report on the Compilation of Pro forma Condensed Consolidated Financial Information Included in a Shareholders' Circular

To the Shareholders of Emaar the Economic City (continued)

Our Independence and Quality Management

We have complied with the independence and other ethical requirement of the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner's Responsibilities

Our responsibility is to express an opinion, as required by Annex 19 of the Rules on the Offer of Securities and Continuing Obligations issued by the Board of the Capital Market Authority in the Kingdom of Saudi Arabia, about whether the Pro forma financial information has been compiled, in all material respects, by the management on the basis of the applicable criteria described in note 2.1.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, as endorsed in the Kingdom of Saudi Arabia. This standard requires that the practitioner plan and perform procedures to obtain reasonable assurance about whether the management has compiled, in all material respects, the Pro forma financial information on the basis of the applicable criteria described in note 2.1.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro forma financial information.

The purpose of the Pro forma financial information included in a Shareholders' circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event has occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 September 2024 would have been as presented.

A reasonable assurance engagement to report on whether the Pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the management in the compilation of the Pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related Pro forma adjustments give appropriate effect to those criteria; and
- The Pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the practitioner's judgment, having regard to the practitioner's understanding of the nature of the Group, the event or transaction in respect of which the Pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Independent Practitioner's Assurance Report on the Compilation of Pro forma Condensed Consolidated Financial Information Included in a Shareholders' Circular

To the Shareholders of Emaar the Economic City (continued)

Opinion

In our opinion, the Pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria as set out in note 2.1.

Restriction on Use

Our report is intended solely for the Group and the Shareholders of the Group for inclusion in the Shareholders' circular to fulfill the requirements of the Rules issued by Capital Market Authority and should not be used by parties other than the Group, Capital Market Authority and the Shareholders of the Group without our prior written consent.

KPMG Professional Services Company



Ebrahim Oboud Baeshen
License No. 382

Jeddah, 27 March 2025
Corresponding to 27 Ramadan 1446H



EMAAR THE ECONOMIC CITY (A SAUDI JOINT STOCK COMPANY)
PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME

For the period ended 30 September 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

	Notes	Nine-month period ended 30 September	
		2024	2023
Revenue		241,163	926,346
Cost of revenue		(408,137)	(455,956)
GROSS (LOSS) / PROFIT		(166,974)	470,390
EXPENSES			
Selling and marketing expenses		(42,999)	(32,373)
General and administrative expenses		(294,896)	(232,856)
Impairment loss on financial assets and contract assets		(55,272)	(18,138)
Amortization of unearned interest		11,971	30,333
Other operating income		22,248	96,027
OPERATING (LOSS) / PROFIT		(525,922)	313,383
OTHER INCOME / (EXPENSES)			
Financial income		3,899	797
Fair value gain on derivative financial liability		12,705	--
Financial charges	3	(554,267)	(336,315)
Gain on disposal of property and equipment		--	3,017
Share of (loss) / profit of equity accounted investees		(65,209)	3,836
LOSS BEFORE ZAKAT		(1,128,794)	(15,282)
Zakat	5	(102,940)	(33,750)
LOSS FOR THE PERIOD		(1,231,734)	(49,032)
OTHER COMPREHENSIVE (LOSS) / INCOME			
<i>Items that will be reclassified to pro forma consolidated statement of profit or loss in subsequent periods:</i>			
Share of other comprehensive (loss) / income of equity accounted investees		(9,325)	7,954
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(1,241,059)	(41,078)
LOSS PER SHARE			
Basic and diluted loss per share attributable to equity holders of the Parent Company (in Saudi Riyals per share)	3	(2.35)	(0.09)

The attached notes 1 to 8 form part of pro forma condensed consolidated financial information.

EMAAR THE ECONOMIC CITY (A SAUDI JOINT STOCK COMPANY)
PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

	As at 30 September <u>2024</u>	As at 31 December <u>2023</u>
ASSETS		
NON-CURRENT ASSETS		
Property and equipment	5,044,177	4,917,219
Right-of-use assets	46,041	54,784
Investment properties	4,587,351	4,619,250
Intangible assets	3,269	3,664
Investment in equity accounted investees	2,762,834	2,837,368
Development properties	482,810	482,287
Unbilled revenue	160,690	285,260
Employees' receivable - Home Ownership Scheme	54,552	57,765
Restricted cash	51	51
Total non-current assets	<u>13,141,775</u>	<u>13,257,648</u>
CURRENT ASSETS		
Development properties	823,733	839,341
Unbilled revenue	156,770	283,587
Current portion of employees' receivable - Home Ownership Scheme	3,476	3,473
Trade receivables and other current assets	661,406	583,183
Restricted cash – current portion	3,688	3,354
Cash and cash equivalents	206,651	179,077
TOTAL CURRENT ASSETS	<u>1,855,724</u>	<u>1,892,015</u>
TOTAL ASSETS	<u><u>14,997,499</u></u>	<u><u>15,149,663</u></u>




 The attached notes 1 to 8 form part of pro forma condensed consolidated financial information.

EMAAR THE ECONOMIC CITY (A SAUDI JOINT STOCK COMPANY)
PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

	Notes	As at 30 September 2024	As at 31 December 2023
EQUITY AND LIABILITIES			
EQUITY			
Share capital	3	8,352,464	11,333,333
Share premium	3	998,356	--
Statutory reserve		11,536	11,536
Accumulated losses	3	(78,946)	(4,938,621)
TOTAL EQUITY		9,283,410	6,406,248
NON-CURRENT LIABILITIES			
Loans and borrowings	4	--	--
Lease liabilities		23,653	32,794
Employee benefit obligation		44,230	41,630
TOTAL NON-CURRENT LIABILITIES		67,883	74,424
CURRENT LIABILITIES			
Lease liabilities – current portion		65,672	56,212
Loans and borrowings – current portion	3&4	3,687,129	6,747,091
Short-term borrowings		158,482	152,429
Trade and other payable		703,823	725,360
Contract liabilities		646,671	712,349
Other provisions		57,152	24,812
Zakat provision	3&5	327,277	250,738
TOTAL CURRENT LIABILITIES		5,646,206	8,668,991
TOTAL LIABILITIES		5,714,089	8,743,415
TOTAL EQUITY AND LIABILITIES		14,997,499	15,149,663

The attached notes 1 to 8 form part of condensed pro forma consolidated financial information.

EMAAR THE ECONOMIC CITY (A SAUDI JOINT STOCK COMPANY)

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine-months period ended 30 September 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

	Share capital	Statutory Premium	Statutory reserve	Accumulated losses	Total Equity
Balance as at 1 January 2023	11,333,333	--	11,536	(4,690,092)	6,654,777
Loss for the period	--	--	--	(49,032)	(49,032)
Other comprehensive income for the period	--	--	--	7,954	7,954
Total comprehensive loss for the period	--	--	--	(41,078)	(41,078)
Balance as at 30 September 2023	11,333,333	--	11,536	(4,731,170)	6,613,699
Balance as at 1 January 2024	11,333,333	--	11,536	(4,938,621)	6,406,248
Loss for the period	--	--	--	(1,231,734)	(1,231,734)
Other comprehensive loss for the period	--	--	--	(9,325)	(9,325)
Total comprehensive loss for the period	--	--	--	(1,241,059)	(1,241,059)
Impact of decrease in share capital (note 3)	(6,100,734)	--	--	6,100,734	--
Impact of conversion of debt to equity (note 4)	3,119,865	998,356	--	--	4,118,221
Balance as at 30 September 2024	8,352,464	998,356	11,536	(78,946)	9,283,410

The attached notes 1 to 8 form part of pro forma condensed consolidated financial information.

EMAAR THE ECONOMIC CITY (A SAUDI JOINT STOCK COMPANY)
PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine-months period ended 30 September 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

		For the nine-month period ended 30 September	
	Notes	2024	2023
OPERATING ACTIVITIES			
Loss before Zakat	3	(1,128,794)	(15,282)
Adjustments for			
Depreciation on property and equipment		141,976	146,142
Depreciation on investment properties		36,738	38,109
Depreciation on right-of-use asset		8,743	8,026
Impairment loss on financial and contract assets		55,272	18,138
Amortisation		1,140	557
Financial charges	3	554,267	336,315
Share of results of equity accounted investees		65,209	(3,836)
Financial income		(3,899)	(797)
Amortization of unearned interest		(11,971)	(27,221)
Gain on disposal of investment properties		(17,101)	(4,940)
Gain on disposal of property and equipment		--	(3,017)
Fair value gain on derivative financial liability		(12,705)	--
Gain on contribution of land		--	(28,224)
Impairment loss / (reversal) on investment properties		103	(1,911)
Provisions no longer required		--	(43,500)
Impairment reversal on development properties		(1,561)	(5,550)
Provision for employee benefit obligation		7,216	7,225
		(305,367)	420,234
<i>Changes in operating assets and liabilities:</i>			
Employees' receivable – home ownership scheme		3,209	3,058
Unbilled revenue		263,358	49,205
Development properties		16,646	77,377
Trade receivables and other current assets		(133,495)	(149,945)
Trade and other payable		(21,537)	(341,649)
Other liabilities		(33,338)	--
Restricted cash balances received		(334)	(2,388)
Net cash (used in) / generated from operations		(210,858)	55,892
Financial charges paid		(26,927)	(176,493)
Zakat paid		(26,401)	(5,411)
Employees' terminal benefits paid		(4,618)	(2,646)
Net cash used in operating activities		(268,804)	(128,658)
INVESTING ACTIVITIES			
Financial income received		3,899	797
Additions to intangible Assets		(746)	--
Additions to property and equipment		(268,934)	(44,072)
Additions to investment properties		(13,095)	(5,981)
Proceeds from sale of investment properties		25,254	62,917
Proceeds from sale of property and equipment		--	5,000
Net cash (used in) / generated from investing activities		(253,622)	18,661
FINANCING ACTIVITIES			
Proceeds from loans and borrowings		550,000	450,000
Repayments of loans and borrowings		--	(51,288)
Net cash generated from financing activities		550,000	398,712
Net increase in cash and cash equivalents		27,574	288,715
Cash and cash equivalents at the beginning of the year		179,077	82,141
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		206,651	370,856

The attached notes 1 to 8 form part of pro forma condensed consolidated financial information.

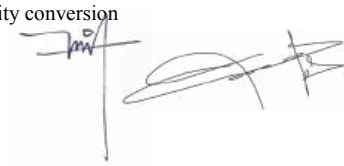
EMAAR THE ECONOMIC CITY (A SAUDI JOINT STOCK COMPANY)

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the nine-months period ended 30 September 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

	Notes	For the nine-month period ended 30 September 2024	2023
Non-cash supplementary information:			
Transfer from investment properties to development properties		--	(13,765)
Contribution of development property to the Fund		--	249,511
Share capital reduction		6,100,734	--
Debt to equity conversion	4	4,118,221	--



The attached notes 1 to 8 form part of pro forma condensed consolidated financial information.

EMAAR THE ECONOMIC CITY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the nine-month period ended 30 September 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

1. CORPORATE INFORMATION

Emaar The Economic City (the "Company" or the "Parent Company") is a Saudi Joint Stock Company incorporated and operating in the Kingdom of Saudi Arabia ("KSA") under Ministerial Decision No. 2533, dated 03 Ramadan 1427H, corresponding to 21 September 2006. The Company obtained its initial Commercial Registration No. 4030164269 on 8 Ramadan 1427H, corresponding to 26 September 2006.

The registered office of the Company has been shifted to Rabigh with a revised Commercial Registration No. 4602005884, dated 6 Rabi Awal 1436H, corresponding to 28 December 2014.

These pro forma condensed consolidated financial statements include the results, assets and liabilities of the following registered branches of the Group:

<u>Branch</u>	<u>Commercial Registration Number</u>
Jeddah	4030164269
Riyadh	1010937549
Rabigh	4602005884

The Company has the following subsidiaries as at 30 September 2024. The Company and its subsidiaries are incorporated in the Kingdom of Saudi Arabia. The subsidiaries have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group.

<u>Name</u>	<u>Country of incorporation</u>	<u>Year of Incorporation</u>	Effective ownership as at 30 September 2024	Effective ownership as at 31 December 2023	<u>Nature of activities</u>
Economic Cities Investments Company Limited ("ECIC")	Kingdom of Saudi Arabia	2010	100%	100%	Buying, selling and management of real estate properties and operations of educational and technical institutions.
Industrial Zones Development Company Limited ("IZDCL")	Kingdom of Saudi Arabia	2011	100%	100%	Sale/lease, investment, development of real estate development in industrial valley in KAEC.

EMAAR THE ECONOMIC CITY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the nine-month period ended 30 September 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

1. GENERAL INFORMATION (continued)

<u>Name</u>	<u>Country of incorporation</u>	<u>Year of Incorporation</u>	<u>Effective ownership as at 30 September 2024</u>	<u>Effective ownership as at 31 December 2023</u>	<u>Nature of activities</u>
Economic Cities Real Estate Properties Operation and Management Company ("REOM")	Kingdom of Saudi Arabia	2013	100%	100%	Own, purchase, sale, invest, and lease of commercial properties.
Economic Cities Pioneer Real Estate Management Company ("REM")	Kingdom of Saudi Arabia	2013	100%	100%	Construction, management, development, operation, lease of residential properties.
Economic Cities Real Estate Development Company ("RED")	Kingdom of Saudi Arabia	2013	100%	100%	Own, purchase, sale, investment, development and marketing of real estate development in KAEC.
Emaar Knowledge Company Limited ("EKC")	Kingdom of Saudi Arabia	2015	100%	100%	Construct and operate business educational institute in KAEC.

2. BASIS OF ACCOUNTING

2.1 Basis of preparation

The purpose of these pro forma condensed consolidated financial information, compiled and prepared by management, is to demonstrate the financial impact of the increase in the Company's issued share capital due to the conversion of the shareholder's ("Public Investment Fund, PIF") loans as at 30 September 2024, under the requirements of Annex 19 of the Rules on the Offer of Securities and Continuing Obligations issued by the Board of the Capital Market Authority in the Kingdom of Saudi Arabia.

These pro forma condensed consolidated financial information are prepared applying accounting policies which are based on the International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

EMAAR THE ECONOMIC CITY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the nine-month period ended 30 September 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

2. BASIS OF ACCOUNTING (continued)

2.1 Basis of preparation (continued)

The pro forma condensed consolidated statement of financial position as at 30 September 2024, the pro forma condensed statements of profit or loss and other comprehensive income, and cash flows for the nine-months period ended 30 September 2024, gives effect to the debt to equity conversion, capital decrease (off-set of accumulated losses against capital), ("the transactions"), as if they had occurred on 30 September 2024.

For practicality reasons, total debt balance outstanding to be converted to equity has assumed to take in to account accrued interest for the period from 01 October 2024 till 31 December 2024 and impact of capital decrease as occurred on 31 December 2024 is taken as pro forma adjustments in these pro forma condensed consolidated financial information.

The management has used the Group's unaudited condensed consolidated interim financial statements for the nine-months period ended 30 September 2024 prepared in accordance with the International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia (the "unaudited historical financial statements") to prepare the accompanying pro forma condensed consolidated financial information. Accordingly, all the adjustments related to the financial captions are made on the assumption that all the legal formalities related to the transactions, including the approval of and the agreements with PIF and the Company were completed and effective on 30 September 2024.

This pro forma condensed consolidated financial information has been prepared on the basis of various assumptions, estimates, uncertainties, and currently available information, and are provided for illustrative purposes only. Consequently, the accompanying pro forma condensed consolidated financial information may not reflect the true picture of the actual financial position or results of the Group's operations, as it is dependent on the completion of all the legal formalities and regulatory clearances related to the debt conversion, planned at a future date. This pro forma condensed consolidated financial information is for informational purposes only and should not be considered indicative of actual results that would have been achieved had the transactions been consummated on the date indicated and do not purport to indicate our future consolidated results of operations or financial position.

2.2 Going concern basis of accounting

The pro forma condensed consolidated financial information has been prepared on a going concern basis, which assumes that the Group will be able to discharge its liabilities.

Management has exercised judgement in the determination of the Group's going concern status owing to which, management believes that the Group continues to be a going concern and the pro forma condensed consolidated financial information has been prepared on that basis. Please refer to the unaudited historical financial statements for details of management's assessment.

2.3 Functional and presentation currency

The Group's pro forma condensed consolidated financial information is presented in Saudi Arabian Riyals ("SR"), which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. All figures are rounded off to the nearest thousands except when otherwise indicated.

EMAAR THE ECONOMIC CITY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the nine-month period ended 30 September 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

3. DEBT TO EQUITY CONVERSION

On 8 September 2024, the Company announced a transformative SR 8.7 billion Capital Optimisation Plan, including the restructuring of SR 3.8 billion in bank debt, the conversion to share capital of SR 4.0 billion in debt owed to PIF, and a new SR 1.0 billion convertible shareholder facility from PIF to fund projects. The plan also includes the abovementioned capital decrease, to fully extinguish EEC's accumulated losses. The COP aims to stabilize EEC's finances, enhance its capital structure, and create a platform from which to achieve its long-term growth strategy.

On 31 December 2024, in order to extinguish accumulated losses, which were SR 6,100,734,257 as of 30 September 2024, Extraordinary General Assembly meeting approved reduction of share capital by the amount of SR 6,100,734,250, by cancelling six hundred ten million seventy-three thousand four hundred twenty-five (610,073,425) shares of the Company's shares, by cancelling (0.5383) share for every one (1) share owned, effective for the company's shareholders who own shares on the day of the Extraordinary General Assembly.

On 07 September 2024, the board of directors of the Group recommended to the shareholders to increase the Company's capital through converting the debt of the Public Investment Fund ("PIF"), and the debt novated from the Ministry of Finance (the "MoF") to the PIF on 05 September 2024, to new ordinary shares in the Company, entered into the related conversion agreement with the PIF on 07 September 2024 (the "Conversion Agreement").

Overview of Debt Arrangements

MOF-PIF Debt Novation

- On 05 September 2024 a novation agreement was executed between the Ministry of Finance ("MoF") and the Public Investment Fund (the "PIF") whereby the remaining amount of the loan along with its accrued commission of SR 2,911 million due by the Group to the MoF as of 01 June 2024 pursuant to the loan agreement entered into between the Group and the MoF dated 23 May 2011 as amended, was novated in full by the MoF to the PIF. The Group further accrued commission of SR 122 million from 01 June 2024 to 31 December 2024. Loan balance as of 31 December 2024 along with the accrued commission thereon is SR 3,033 million. (refer note 4)

PIF Shareholder Loan

- During February 2023, the Group signed a Term Loan Facility with one of its substantial shareholders, PIF, for up to SR 1,000 million to be repaid after 21 months through a single bullet payment at maturity with the option to be converted into equity. Loan balance as of 31 December 2024 along with the accrued commission thereon is SR 1,085 million. (refer note 4)

Debt Conversion Agreement

Based on the debt conversion agreement dated 7 September 2024 and subsequent addendum to debt conversion agreement dated 9 March 2025 (corresponding to 9 Ramadan 1446) between the EEC and PIF, the loan payable to PIF post novation, along with accrued interest as of 31 December 2024, amounting to SR 3,033 million and PIF loan, along with accrued interest as of 31 December 2024, of SR 1,085 million was agreed to be converted to equity by way of debt to equity conversion via issuance of new shares to PIF in EEC.

EMAAR THE ECONOMIC CITY (A SAUDI JOINT STOCK COMPANY)
NOTES TO THE PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the nine-month period ended 30 September 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

3. DEBT TO EQUITY CONVERSION (continued)
Pro forma Assumptions

As stated in Note 2.1, the management has prepared the pro forma condensed consolidated financial information based on the following assumptions:

- The transaction date for debt to equity conversion is 30 September 2024.
- All the adjustments to the financial charges and the related financial captions are made on the assumption that all the legal formalities and regulatory clearances related to the debt conversion, including the novation and conversion / subscription agreement, were completed and effective on 30 September 2024.
- Capital Decrease and absorption of accumulated losses approved on of 31 December 2024 is assumed to be taken place as of 30 September 2024.
- Debt balance to be converted to equity is assumed to include accrued financial charges from 01 October till 31 December 2024.
- The management has prepared this Pro forma financial information based on the assumption that the amounts owed to the PIF of SR 4,118,221,465 as of 31 December 2024 is outstanding as of 30 September 2024 and is derecognized by issuance of 311,986,475 Company's ordinary shares to PIF, calculated as per conversion agreement between PIF and the company by applying 25% discount to the volume-weighted average market price ("VWAP") of the company's share during the 12 months preceding the date of 31 December 2024. Details of the computations in relation to the Pro forma adjustments are as follows:

Loan outstanding to PIF as of 31 December 2024	A	4,118,221,465
12 months VWAP preceding the date of 31 December 2024	B	17.60
25% discount on VWAP	$C=B*75\%$	13.20
Number of ordinary shares to be issued to PIF	$D=A/C$	311,986,475
Increase in Share capital at par value of SR 10	$E=D*10$	3,119,864,750
Increase in share premium	$F=A-E$	998,356,715

Nonetheless, the accompanying pro forma condensed consolidated financial information may not reflect the accurate picture of the actual financial position or results of the Group's operations, as the novation of the debt payable to MOF from MOF to PIF and the subscription of shares by PIF is dependent on the completion of all the legal and regulatory formalities related to the novation and the debt conversion, planned at a future date.

Pro forma Adjustments

Debt to equity conversion transaction has resulted in following Pro form adjustments:

- Increase in share capital by SR 3,120 million
- Increase in share premium by SR 998 million
- Decrease in Loans and borrowings – current portion by SR 4,046 million
- Increase in financial charges expense by SR 72 million
- Increase in zakat expense and zakat provision by SR 7 million
- No impact on unaudited pro forma condensed consolidated statement of cash flows.

EMAAR THE ECONOMIC CITY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the nine-month period ended 30 September 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

3. DEBT TO EQUITY CONVERSION (continued)

The following notes set out an explanation of how the debt to equity conversion would affect the Group's pro forma condensed consolidated statement of profit or loss and other comprehensive income for the period ended 30 September 2024, Group's pro forma condensed consolidated statement of financial position as at 30 September 2024, Group's pro forma condensed consolidated statement of changes in equity and Group's pro forma condensed consolidated statement of cash flows for the period ended 30 September 2024, had the transaction taken place on 30 September 2024.

Pro forma condensed consolidated statement of profit or loss and other comprehensive income

	Note	For the period ended 30 September 2024 SR'000	Pro forma Adjustments SR'000	For the period ended 30 September 2024 SR'000
Revenue		241,163	--	241,163
Cost of revenue		(408,137)	--	(408,137)
Gross loss		(166,974)	--	(166,974)
Expenses				
Selling and marketing expenses		(42,999)	--	(42,999)
General and administrative expenses		(294,896)	--	(294,896)
Impairment loss on financial assets and contract assets		(55,272)	--	(55,272)
Amortization of unearned interest		11,971	--	11,971
Other operating income		22,248	--	22,248
OPERATING LOSS		(525,922)	--	(525,922)
Other income / (expenses)				
Financial income		3,899	--	3,899
Fair value gain on derivative financial liability		12,705	--	12,705
Financial charges	4	(482,229)	(72,038)	(554,267)
Gain on disposal of property and equipment		--	--	--
Share of loss of equity accounted investees		(65,209)	--	(65,209)
LOSS BEFORE ZAKAT		(1,056,756)	(72,038)	(1,128,794)
Zakat	3&5	(96,032)	(6,908)	(102,940)
LOSS FOR THE PERIOD		(1,152,788)	(78,946)	(1,231,734)
Other comprehensive loss				
<i>Items that will be reclassified to pro forma consolidated statement of profit or loss in subsequent periods:</i>				
Share of other comprehensive loss of equity accounted investees		(9,325)	--	(9,325)
Total comprehensive loss for the year		(1,162,113)	(78,946)	(1,241,059)
Loss per share				
Basic and diluted loss per share attributable to ordinary equity holders of the Parent Company (in SR per share)		(1.02)	(1.33)	(2.35)

EMAAR THE ECONOMIC CITY (A SAUDI JOINT STOCK COMPANY)
NOTES TO THE PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the nine-month period ended 30 September 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

3. DEBT TO EQUITY CONVERSION (continued)
Pro forma condensed consolidated statement of financial position

	As at 30 September 2024	Pro Forma Adjustments	As at 30 September 2024
ASSETS			
Non-current assets			
Property and equipment	5,044,177	--	5,044,177
Right-of-use assets	46,041	--	46,041
Investment properties	4,587,351	--	4,587,351
Intangible assets	3,269	--	3,269
Investment in equity accounted investees	2,762,834	--	2,762,834
Development properties	482,810	--	482,810
Unbilled revenue	160,690	--	160,690
Employees' receivable - Home Ownership Scheme	54,552	--	54,552
Restricted cash	51	--	51
Total non-current assets	13,141,775	--	13,141,775
CURRENT ASSETS			
Development properties	823,733	--	823,733
Unbilled revenue	156,770	--	156,770
Current portion of employees' receivable - Home Ownership Scheme	3,476	--	3,476
Trade receivables and other current assets	661,406	--	661,406
Restricted cash – current portion	3,688	--	3,688
Cash and cash equivalents	206,651	--	206,651
TOTAL CURRENT ASSETS	1,855,724	--	1,855,724
Total assets	14,997,499	--	14,997,499
EQUITY AND LIABILITIES			
Equity			
Share capital	11,333,333	(2,980,869)	8,352,464
Share Premium	--	998,356	998,356
Statutory reserve	11,536	--	11,536
Accumulated losses	(6,100,734)	6,021,788	(78,946)
Total equity	5,244,135	4,039,275	9,283,410

EMAAR THE ECONOMIC CITY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the nine-month period ended 30 September 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

3. DEBT TO EQUITY CONVERSION (continued)

Pro forma condensed consolidated statement of financial position (continued)

	As at 30 September 2024	Pro Forma Adjustments	As at 30 September 2024
Non-current liabilities			
Loans and borrowings	--	--	--
Lease liabilities	23,653	--	23,653
Employee benefit obligation	44,230	--	44,230
Total non-current liabilities	67,883	--	67,883
Current liabilities			
Lease liabilities – current portion	65,672	--	65,672
Loans and borrowings – current portion	7,733,312	(4,046,183)	3,687,129
Short-term borrowings	158,482	--	158,482
Trade and other payable	703,823	--	703,823
Contract liabilities	646,671	--	646,671
Other provisions	57,152	--	57,152
Zakat provision	320,369	6,908	327,277
Total current liabilities	9,685,481	(4,039,275)	5,646,206
Total liabilities	9,753,364	(4,039,275)	5,714,089
Total equity and liabilities	14,997,499	--	14,997,499

EMAAR THE ECONOMIC CITY (A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the nine-month period ended 30 September 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

3. DEBT TO EQUITY CONVERSION (continued)
Pro forma condensed consolidated statement of cash flows

	For the period ended 30 September 2024	Pro Forma Adjustments Note 4	For the period ended 30 September 2024
Operating activities			
Loss before Zakat	(1,056,756)	(72,038)	(1,128,794)
Adjustments for			
Depreciation on property and equipment	141,976	--	141,976
Depreciation on investment properties	36,738	--	36,738
Depreciation on right-of-use asset	8,743	--	8,743
Impairment loss on financial and contract assets	55,272	--	55,272
Amortisation	1,140	--	1,140
Financial charges	482,229	72,038	554,267
Share of results of equity accounted investees	65,209	--	65,209
Financial income	(3,899)	--	(3,899)
Amortization of unearned interest	(11,971)	--	(11,971)
Gain on disposal of investment properties	(17,101)	--	(17,101)
Gain on disposal of property and equipment	--	--	--
Fair value gain on derivative financial liability	(12,705)	--	(12,705)
Gain on contribution of land	--	--	--
Impairment loss on investment properties	103	--	103
Impairment reversal on development properties	(1,561)	--	(1,561)
Provision for employee benefit obligation	7,216	--	7,216
	<u>(305,367)</u>	<u>--</u>	<u>(305,367)</u>
<u>Changes in operating assets and liabilities:</u>			
Employees' receivable – Home			
Ownership Scheme	3,209	--	3,209
Unbilled revenue	263,358	--	263,358
Development properties	16,646	--	16,646
Trade receivables and other current assets	(133,495)	--	(133,495)
Trade and other payable	(21,537)	--	(21,537)
Other liabilities	(33,338)	--	(33,338)
Restricted cash balances received	(334)	--	(334)
	<u>(210,858)</u>	<u>--</u>	<u>(210,858)</u>
Net cash used in operations			
Financial charges paid	(26,927)	--	(26,927)
Zakat paid	(26,401)	--	(26,401)
Employees' terminal benefits paid	(4,618)	--	(4,618)
	<u>(268,804)</u>	<u>--</u>	<u>(268,804)</u>
Net cash used in operating activities			
	<u>(268,804)</u>	<u>--</u>	<u>(268,804)</u>

EMAAR THE ECONOMIC CITY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the nine-month period ended 30 September 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

3. DEBT TO EQUITY CONVERSION (continued)

Pro forma condensed consolidated statement of cash flows (continued)

	For the period ended 30 September <u>2024</u>	Pro Forma <u>Adjustments</u>	For the period ended 30 September <u>2024</u>
Investing activities			
Financial income received	3,899	--	3,899
Additions to intangible Assets	(746)	--	(746)
Additions to property and equipment	(268,934)	--	(268,934)
Additions to investment properties	(13,095)	--	(13,095)
Proceeds from sale of investment properties	25,254	--	25,254
Net cash used in investing activities	(253,622)	--	(253,622)
Financing activities			
Proceeds from loans and borrowings	550,000	--	550,000
Net cash generated from financing activities	550,000	--	550,000
Net increase in cash and cash equivalents	27,574	--	27,574
Cash and cash equivalents at the beginning of the year	179,077	--	179,077
Cash and cash equivalents at the end of the year	206,651	--	206,651

SHARE CAPITAL

Pro forma adjustments represents the increase in the issued share capital by conversion of shareholder loan and loan payable to MoF which was novated to PIF through a novation agreement dated 05 September 2024 between MOF and PIF, to equity by issuing new shares to PIF, as per conversion agreement between the Company and PIF. This has resulted in an increase in issued share capital by SR 3,119 million, share premium by SR 998 million and decrease in the loans by an amount of SR 4,118 million.

Moreover, on 31 December 2024, in order to extinguish accumulated losses, which were SR 6,100,734,257 as of 30 September 2024, Extraordinary General Assembly meeting approved reduction of share capital by the amount of SR 6,100,734,250 effective for the company's shareholders who own shares on the day of the Extraordinary General Assembly. Impact of the said capital reduction and extinguishment accumulated losses is assumed be taken in the pro forma adjustment as well.

EMAAR THE ECONOMIC CITY (A SAUDI JOINT STOCK COMPANY)
NOTES TO THE PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the nine-month period ended 30 September 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

3. DEBT TO EQUITY CONVERSION (continued)
SHARE CAPITAL (continued)

The ordinary shares ownership structure before and after the loan conversion and capital reduction would be as follows:

Shareholders	As of 30 September 2024 (un-audited)		Pro forma Impact of Capital Reduction	Pro forma Impact of Debt to equity conversion	As of 30 September 2024 (Pro forma)	
	% Share	No. of Shares	No. of Shares	No. of Shares	% Share	No. of shares
PIF	25%	283,333,334	(152,518,357)	311,986,475	53%	442,801,452
Others	75%	850,000,000	(457,555,068)	--	47%	392,444,932
Total	100%	1,133,333,334	(610,073,425)	311,986,475	100%	835,246,384

The share capital before and after the loan conversion and capital reduction would be as follows:

Shareholders	As of 30 September 2024 (un-audited)	Pro forma Impact of Capital Reduction	Pro forma Impact of Debt to Equity Conversion	As of 30 September 2024 (Pro forma)
	Saudi Riyals	Saudi Riyals	Saudi Riyals	Saudi Riyals
PIF	2,833,333,340	(1,525,183,570)	3,119,864,753	4,428,014,523
Others	8,500,000,000	(4,575,550,680)	--	3,924,449,317
Total	11,333,333,340	(6,100,734,250)	3,119,864,753	8,352,463,840

4. LOANS AND BORROWINGS

	30 September 2024 (un-audited)	Reclassification	Pro forma adjustments 1 (Note 4.1)	Pro forma adjustments 2	30 September 2024 (Pro forma)
Ministry of Finance ("MoF") loan (see note (a) below)	2,911,604	--	--	(2,911,604)	--
Facility from a shareholder (b)	961,634	38,366	--	(1,000,000)	--
Accrued commission (a) & (b)	172,945	(38,366)	72,038	(206,617)	--
Others (see note (c) below)	3,687,129	--	--	--	3,687,129
	7,733,312	--	72,038	(4,118,221)	3,687,129
Current portion of loans (see note (a), (b) and (c) below)	(7,733,312)	--	(72,038)	4,118,221	(3,687,129)
Non-current portion of loans	--	--	--	--	--

(4.1) It include Accrued commission from 01 October 2024 till 31 December 2024 on the outstanding loan balance novated from MOF and shareholder loan as of 30 September 2024

EMAAR THE ECONOMIC CITY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the nine-month period ended 30 September 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

4. LOANS AND BORROWINGS (Continued)

- (a) During 2011, the Group received a loan of SR 5,000 million from the MoF for the development of KAEC. The loan is secured against pledge of 24.7 million sqm of the Greenfield land and carries annual commission at commercial rates and was originally repayable, with a three-year grace period, in seven annual instalments commencing from 01 September 2015. However, based on the Group's request submitted before the due date, MoF, during September 2015, had rescheduled the loan by extending the grace period for an additional period of five years. During January 2020, based on the discussions carried out with the Ministry of Finance, the MoF had rescheduled the first instalment due in June 2020 to January 2021. Hence, the principal amount was repayable in seven instalments, commencing from January 2021, with accrued commission payable on an annual basis.

Subsequently, a partial novation agreement was signed between the Company, PIF and MoF wherein they agreed on the novation of part of the loan due to MoF, amounting to SR 2.8 billion (the novation amount) from MoF to PIF on 20 March 2021. Further, this novation agreement had been approved by the Group's board of directors on 30 March 2021. Later on, the Group received an approval from MoF on 17 June 2021, conditional upon signing of amendment to the original MoF loan agreement, wherein MoF had approved capitalization of accrued commission as of 01 June 2021 amounting to SR 363.9 million, restructuring of the total loan repayment starting from June 2024, in six equal annual instalments of SR 361.5 million each and the final instalment in June 2030 amounting to SR 361.6 million.

On 7th September 2024, the 2nd novation agreement was signed between the Company, Public Investment fund "PIF" & MOF wherein they agreed on the novation of remainder loan balance including accrued commission as at 01 June 2024 due to MoF, amounting to SR 2,912 million (the novation amount) from MoF to PIF.

- (b) During February 2023, the Group signed a Term Loan Facility with one of its substantial shareholders, PIF, for up to SR 1,000 million to be repaid after 21 months through a single bullet payment at maturity. Financial costs on the facility is based on SIBOR + spread. The loan contains a conversion option to equity, exercisable by PIF, subject to certain required approvals under the applicable laws and regulations. The loan is secured against certain real estate assets within KAEC.
- (c) The loan facility will be used to finance specific critical expenses including strategic capital expenditures. As at 30 June 2024, management had fully drawn down SR 1,000 million from this facility.

The loan contains an embedded derivative due to the presence of a call option in the loan arrangement. The carrying value of the embedded derivative is nil as of the date of conversion. There are non-financial debt covenants related to the facility including cross-default clauses in respect of loan facilities with commercial banks. As at 30 September 2024, the Group was not in compliance with certain covenants and, accordingly, the borrowings are payable on demand and, therefore, have been classified as current liability in the accompanying condensed consolidated interim financial statements.

EMAAR THE ECONOMIC CITY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the nine-month period ended 30 September 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

4. LOANS AND BORROWINGS (Continued)

- (d) There are no changes in term and conditions of the borrowings from the consolidated financial statements for the year ended 31 December 2023. However, on 07th September 2024, the Company signed a non-binding term sheet to reschedule its financing agreements amounting to SR 3,471 with Alinma Bank, Saudi Awwal Bank, Banque Saudi Fransi and The Saudi National Bank (together, the “Banks”) under one common terms arrangement. As part of the rescheduling, a new credit facility amounting to SR 301.4 million would be made available to the Company by the Banks as “Additional Facility”.

The term sheet sets out the main provisions initially agreed but is subject to agreeing and signing final legally binding agreements to be entered into between the Company and the Banks.

5. ZAKAT PROVISION

	30 September 2024	31 December 2023
At the beginning of the period / year	250,738	215,458
Charge for the period / year	102,940	45,000
Payments during the period / year	(26,401)	(9,720)
Additional provision for debt restructuring	-	-
	<u>327,277</u>	<u>250,738</u>

The provision for the year is based on the consolidated Zakat base of the Group.

6. CAPITAL MANAGEMENT

Capital includes equity attributable to the ordinary equity holders of the Parent Company. The Group’s policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The primary objective of the Group’s capital management strategy is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders’ value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. At 30 September 2024, the Group’s gearing ratio is 28% (2023: 52%).

In order to achieve this overall objective, the Group’s capital management, amongst other things, aims to ensure that it meets financial covenants attached to the borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call borrowings. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2024 and 31 December 2023.

EMAAR THE ECONOMIC CITY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the nine-month period ended 30 September 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

7. SUBSEQUENT EVENT

As of the date of approval of these Pro forma condensed consolidated financial information, except as disclosed in note 3, there have been no subsequent events after 30 September 2024 that require any adjustments to the amounts recognized or disclosures in these Pro forma condensed consolidated financial information.

8. APPROVAL OF THE PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The Pro forma condensed consolidated financial information was approved and authorized to issue by the Board of Directors on 27 March 2025, corresponding to 27 Ramadan 1446H.

11.3 Proposed amendments to the Bylaws.

The text (after)	The text (before)	Article
Article 7 Share Capital and Shares	The share capital of the Company is five billion two hundred thirty-two million five hundred ninety-nine thousand ninety (SAR 5,232,599,090) Saudi Riyals divided into five hundred twenty-three million two hundred fifty-nine thousand, nine hundred and nine(523,259,909) shares of equal nominal value of ten (10) Saudi Riyals per share, which consist of ordinary cash shares with a value of three billion one hundred thirty-nine million five hundred fifty-nine thousand four hundred fifty (3,139,559,450) Saudi Riyals and in-kind shares with a value of two billion ninety-three million thirty-nine thousand six hundred forty (2,093,039,640) Saudi Riyals.	The share capital of the Company is five billion two hundred thirty-two million five hundred ninety-nine thousand ninety (SAR 5,232,599,090) eight billion, eight hundred twenty-nine million, two hundred ninety-nine thousand, fifty (SAR 8,829,299,050) Saudi Riyals divided into five hundred twenty-three million two hundred fifty-nine thousand, nine hundred and nine(523,259,909) eight hundred eighty-two million, nine hundred twenty-nine thousand, nine hundred and five (882,929,905) shares of equal nominal value of ten (10) Saudi Riyals per share, which consist of ordinary cash shares with a value of three billion one hundred thirty-nine million five hundred fifty-nine thousand four hundred fifty (3,139,559,450) six billion, seven hundred thirty-six million, two hundred fifty-nine thousand, four hundred and ten (SAR 6,736,259,410) Saudi Riyals and in-kind shares with a value of two billion ninety-three million thirty-nine thousand six hundred forty (2,093,039,640) Saudi Riyals.
Article 8 Subscription	The shareholders have subscribed to all the issued share capital of the company amounting to five hundred and twenty-three million two hundred and fifty-nine thousand nine hundred and nine (523,259,909) shares and have paid the full value thereof.	The shareholders have subscribed to all the issued share capital of the company amounting to five hundred and twenty-three million two hundred and fifty-nine thousand nine hundred and nine (523,259,909) eight hundred eighty-two million, nine hundred twenty-nine thousand, nine hundred and five (882,929,905) shares and have paid the full value thereof.

