

**Al-Andalus Property Company**  
(Saudi Joint Stock Company)

**CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 December 2025**  
together with the  
**Independent Auditor's Report**

**Al-Andalus Property Company** (Saudi Joint Stock Company)  
**Consolidated Financial Statements and Independent Auditor's Report**  
For the year ended 31 December 2025

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ERNST & YOUNG PROFESSIONAL SERVICES (PROFESSIONAL LLC)  
**Paid-Up Capital: ٥,500,000** (Five Million Five Hundred Thousand Saudi Riyals)

Head Office  
Financial Boulevard 3126, Al Aqeeq Dist. 6717, Riyadh 13519  
KAFD 1.11 B, South Tower, 8<sup>th</sup> Floor  
P.O. Box 2732, Riyadh 11461  
Kingdom of Saudi Arabia

C.R. No. 1010383821  
Unified No. 7000117205

Tel: +966 11 215 9898  
+966 11 273 4740  
Fax: +966 11 273 4730  
ey.ksa@sa.ey.com  
ey.com

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Al-Andalus Property Company  
(A Saudi Joint Stock Company)

Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of Al-Andalus Property Company and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2025, and the Consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

### Basis for Opinion

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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 auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



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INDEPENDENT AUDITOR'S REPORT  
To the Shareholders of Al-Andalus Property Company  
(A Saudi Joint Stock Company) (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter.
<i>Allowance for expected credit losses - receivables from operating leases</i>	
<p>As at 31 December 2025, the gross receivables from operating lease amounted to SR 59,628,699 (as at 31 December 2024: SR 90,773,651) against which SR 26,238,112 (as at 31 December 2024: SR 28,581,717) expected credit losses ("ECL") allowance is maintained.</p> <p>The Group uses the simplified approach to calculate ECL. Management determines and recognises expected credit losses as required by International Financial Reporting Standard 9 (Financial Instruments) ('IFRS 9'). Significant judgements, estimates and assumptions have been made by the management in the calculation of ECL impact, including probability of default and loss given default.</p> <p>We have considered this as a key audit matter as the determination of ECL involves significant management judgement and this has a material impact on the consolidated financial statements.</p> <p><i>Refer to:</i></p> <ul style="list-style-type: none"> <li>- <i>Note 5 for the accounting policy related to the ECL</i></li> <li>- <i>Note 6 for the significant judgements, estimates and assumptions in determining the ECL.</i></li> <li>- <i>Note 11 for the receivables from operating leases disclosure.</i></li> </ul>	<p>Our audit procedures performed included, among others, the following:</p> <ul style="list-style-type: none"> <li>- Evaluated the appropriateness of the Company's accounting policy for ECL allowance in accordance with the requirements of IFRS 9.</li> <li>- Obtained understanding of the Group's processes in determining the allowance for expected credit losses and evaluating the design and implementation of controls related to determination of ECL allowance.</li> <li>- Performed procedures to evaluate the reliability of data input used by management in the ECL model including ageing of receivables.</li> <li>- Assessed significant judgements, estimates and assumptions made by the management with reference to the calculation of the ECL including the Company's assessment of the probability of default, incorporation of forward-looking information and the loss given default parameter through involvement of a subject matter expert who assessed the reasonableness of the ECL model and assumptions used by management by developing an independent ECL model.</li> <li>- Assessed the adequacy of the relevant disclosures in the consolidated financial statements.</li> </ul>



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INDEPENDENT AUDITOR'S REPORT  
To the Shareholders of Al-Andalus Property Company  
(A Saudi Joint Stock Company) (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter.
<p><i>Assessment of net realisable value and recoverable amount ("the value") of investment properties and hotel property ("the properties") respectively</i></p> <p>As at 31 December 2025, the Group had investment properties carried at cost less accumulated depreciation and any impairment of SR 1.32 billion (as at 31 December 2024: SR 1.37 billion), and the Group had an hotel property carried at cost less accumulated depreciation and any impairment of SR 139.6 million (as at 31 December 2024: SR 125.4 million) recorded under property and equipment, collectively referred to as ("the Properties").</p> <p>The Group has assessed the fair value of these properties in accordance with IFRS 13 (Fair Valuation) through engaging independent real estate valuation specialists.</p> <p>The fair value of these properties has been estimated using income approach for majority of the properties. The cash flows are estimated by extrapolating the current rental income based on the observable occupancy rates, expected future growth as well as other assumptions and the unobservable inputs relating to the capitalization and discount rates.</p> <p>We considered assessing the existence of impairment in these properties and estimating its recoverable amounts - including estimation of the fair value - as a key audit matter since that requires significant estimates and judgements that could result in material misstatements of the calculation of impairment losses (if any) and also misstatements with regard to the disclosure of the fair values of these properties in the consolidated financial statements.</p> <p><i>Refer to:</i></p> <ul style="list-style-type: none"> <li>- <i>Note 5 for the accounting policy related to the investment properties and property and equipment.</i></li> <li>- <i>Note 6 for the significant judgement in determining the valuation of properties.</i></li> <li>- <i>Note 8 for the investment properties disclosure and note 7 for property and equipment disclosure.</i></li> </ul>	<p>Our audit procedures performed included, among others, the following:</p> <ul style="list-style-type: none"> <li>- Evaluated appropriateness of the Company's accounting policy for the properties and the assessment for the identification of impairment indicators.</li> <li>- Assessed on a sample basis the accuracy of observable inputs used in valuations, such as rental income, occupancy rates and lease tenure back to lease agreements for a sample of properties.</li> <li>- Verified the mathematical accuracy of the valuation model used by management.</li> <li>- Involved our internal valuation specialist who performed the following procedures, on a sample basis:</li> <li>- Reviewed the methodology applied by the management specialist to assess the appropriateness of the approach used and methodology applied.</li> <li>- Assessed the reasonableness and appropriateness of the underlying significant assumptions and judgements, including the discount rate, capitalization rate, and performed sensitivity analysis for significant assumptions used by the management specialist.</li> <li>- Evaluated the competence, independence, and scope of the external valuers.</li> <li>- Assessed the adequacy of the relevant disclosures in the consolidated financial statements.</li> </ul>



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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Al-Andalus Property Company  
(A Saudi Joint Stock Company) (continued)

### Other Matter

The consolidated financial statements of the Group as at, and for the year ended 31 December 2024 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 23 Ramadan 1446H (corresponding to 23 March 2025).

### Other Information Included in the Group's 2025 Annual Report

Other information consists of the information included in the Group's 2025 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The Group's 2025 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.

**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 IFRS Accounting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the applicable provisions 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 Audit Committee is 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.



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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Al-Andalus Property Company  
(A Saudi Joint Stock Company) (continued)

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

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

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

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.



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**INDEPENDENT AUDITOR'S REPORT**  
**To the Shareholders of Al-Andalus Property Company**  
**(A Saudi Joint Stock Company) (continued)**

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

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.

for Ernst & Young Professional Services



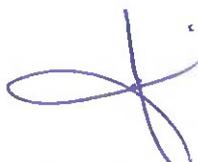
Marwan S. AlAfaliq  
Certified Public Accountant  
License No. (422)

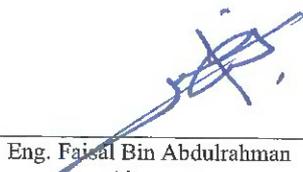
Riyadh: 22 Ramadan 1447H  
(11 March 2026)



**Al-Andalus Property Company (Saudi Joint Stock Company)**  
**Consolidated Statement of Financial Position**  
As at 31 December 2025  
(All amounts are expressed in Saudi Riyal (ﷲ) unless otherwise stated)

	Note	2025	2024
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	7	151,255,513	135,247,719
Investment properties	8	1,321,792,907	1,374,172,184
Equity accounted investees	10	536,226,898	570,715,454
<b>Total non-current assets</b>		<u>2,009,275,318</u>	<u>2,080,135,357</u>
<b>Current assets</b>			
Receivables from operating lease	11	33,390,588	62,191,934
Prepayments and other receivables	12	25,571,580	27,187,933
Due from related parties	28	2,780,481	5,127,082
Cash and bank balances	26	84,878,415	45,880,615
Short-term Murabaha deposits	27	-	40,343,803
<b>Total current assets</b>		<u>146,621,064</u>	<u>180,731,367</u>
<b>Total assets</b>		<u>2,155,896,382</u>	<u>2,260,866,724</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	13	933,333,330	933,333,330
Retained earnings		17,982,480	83,292,053
<b>Equity attributable to the company's shareholders</b>		<u>951,315,810</u>	1,016,625,383
Non-controlling interests	15	124,611,841	142,964,360
<b>Total equity</b>		<u>1,075,927,651</u>	<u>1,159,589,743</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Employees' benefits - defined benefit obligations	16	15,051,664	12,604,414
Lease liabilities	9	65,319,236	114,959,440
Islamic finance facilities	17	863,280,330	839,034,552
<b>Total non-current liabilities</b>		<u>943,651,230</u>	<u>966,598,406</u>
<b>Current liabilities</b>			
Advances from lessees and deferred revenue		58,196,161	53,052,606
Lease liabilities - current portion	9	13,247,750	17,302,750
Islamic finance facilities - current portion	17	16,788,760	14,366,097
Due to related parties	28	16,770,459	16,335,472
Zakat provision	23	3,431,310	4,145,569
Accruals and other payables	18	27,883,061	29,476,081
<b>Total current liabilities</b>		<u>136,317,501</u>	<u>134,678,575</u>
<b>Total liabilities</b>		<u>1,079,968,731</u>	<u>1,101,276,981</u>
<b>Total equity and liabilities</b>		<u>2,155,896,382</u>	<u>2,260,866,724</u>

  
Mr. Fawaz Bin Abdulaziz  
bin Huwail  
Chief Financial Officer

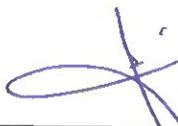
  
Eng. Faisal Bin Abdulrahman  
Alnasser  
Chief Executive Officer

  
Mr. Abdulsalam Bin Abdulrahman  
Alaqeel  
Chairman of Board of Directors

The accompanying notes from 1 to 37 form an integral part of these consolidated financial statements.

**Al-Andalus Property Company (Saudi Joint Stock Company)**  
**Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
For the year ended 31 December 2025  
(All amounts are expressed in Saudi Riyal (ﷲ) unless otherwise stated)

	<u>Note</u>	<u>2025</u>	<u>2024</u>
Revenue	24	237,076,984	235,887,525
Cost of revenue	19	<u>(94,113,029)</u>	<u>(90,740,042)</u>
<b>Gross profit</b>		<b>142,963,955</b>	<b>145,147,483</b>
Marketing expenses		(3,439,226)	(3,881,992)
General and administrative expenses	20	(67,514,291)	(57,297,086)
Allowance for expected credit losses	11	(9,833,668)	(1,900,618)
Share of loss from equity accounted investees	10	(11,488,556)	(33,907,930)
Other income	21	4,238,178	7,295,925
Impairment loss on property and equipment	7	<u>(3,000,000)</u>	<u>(8,000,000)</u>
<b>Operating profit</b>		<b>51,926,392</b>	<b>47,455,782</b>
Finance cost	22	(66,713,604)	(68,245,976)
Gain on disposal of a subsidiary	33	3,956,055	-
<b>Loss before zakat</b>		<b><u>(10,831,157)</u></b>	<b><u>(20,790,194)</u></b>
Zakat	23	(1,711,446)	(2,948,056)
<b>Loss for the year</b>		<b><u>(12,542,603)</u></b>	<b><u>(23,738,250)</u></b>
<b><u>Other comprehensive income</u></b>			
<b>Items that will not be reclassified subsequently to statement of profit or loss:</b>			
Re-measurement of employees' benefits - defined benefit obligations	16	(369,703)	(349,341)
<b>Total comprehensive loss</b>		<b><u>(12,912,306)</u></b>	<b><u>(24,087,591)</u></b>
<b>(Loss) / profit attributable to:</b>			
Shareholders of the company		(18,273,204)	(31,600,315)
Non-controlling interests		5,730,601	7,862,065
		<u>(12,542,603)</u>	<u>(23,738,250)</u>
<b>Total comprehensive (loss) / income attributable to:</b>			
Shareholders of the company		(18,642,907)	(31,949,656)
Non-controlling interests		5,730,601	7,862,065
		<u>(12,912,306)</u>	<u>(24,087,591)</u>
<b>Earnings / (loss) per share</b>			
Basic and diluted loss per share	25	<u>(0.20)</u>	<u>(0.34)</u>

  
Mr. Fawaz Bin Abdulaziz  
bin Huwail  
Chief Financial Officer

  
Eng. Faisal Bin Abdulrahman  
Alnasser  
Chief Executive Officer

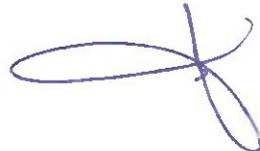
  
Mr. Abdulrahman Bin Abdulrahman  
Alaqeel  
Chairman of Board of Directors

The accompanying notes from 1 to 37 form an integral part of these consolidated financial statements.

**Al-Andalus Property Company (Saudi Joint Stock Company)**  
**Consolidated Statement of Changes in Equity**  
For the year ended 31 December 2025  
(All amounts are expressed in Saudi Riyal (ﷲ) unless otherwise stated)

	Equity attributable to the Company's Shareholders			Total	Non-controlling interests	Total equity
	Share capital	Statutory reserve	Retained earnings			
<b>For the year ended 31 December 2025</b>						
Balance as at 1 January 2025	933,333,330	-	83,292,053	1,016,625,383	142,964,360	1,159,589,743
(Loss) / profit for the year	-	-	(18,273,204)	(18,273,204)	5,730,601	(12,542,603)
Other comprehensive loss	-	-	(369,703)	(369,703)	-	(369,703)
<b>Total comprehensive (loss) / income for the year</b>	-	-	(18,642,907)	(18,642,907)	5,730,601	(12,912,306)
Disposal of subsidiary (note 33)	-	-	-	-	(4,733,120)	(4,733,120)
Dividends (note 29)	-	-	(46,666,666)	(46,666,666)	(19,350,000)	(66,016,666)
<b>Balance as at 31 December 2025</b>	<b>933,333,330</b>	-	<b>17,982,480</b>	<b>951,315,810</b>	<b>124,611,841</b>	<b>1,075,927,651</b>
<b>For the year ended 31 December 2024</b>						
Balance as at 1 January 2024	933,333,330	100,624,786	37,950,256	1,071,908,372	156,601,357	1,228,509,729
(Loss) / profit for the year	-	-	(31,600,315)	(31,600,315)	7,862,065	(23,738,250)
Other comprehensive loss	-	-	(349,341)	(349,341)	-	(349,341)
<b>Total comprehensive (loss) / income for the year</b>	-	-	(31,949,656)	(31,949,656)	7,862,065	(24,087,591)
Transfer from statutory reserve (note 14)	-	(100,624,786)	100,624,786	-	-	-
Dividends (note 29)	-	-	(23,333,333)	(23,333,333)	(21,499,062)	(44,832,395)
<b>Balance as at 31 December 2024</b>	<b>933,333,330</b>	-	<b>83,292,053</b>	<b>1,016,625,383</b>	<b>142,964,360</b>	<b>1,159,589,743</b>

Mr. Fawaz Bin Abdulaziz bin  
Huwait  
Chief Financial Officer



Eng. Faisal Bin  
Abdulrahman Alnasser  
Chief Executive Officer

Mr. Abdulsalam Bin Abdulrahman  
Alaqael  
Chairman of Board of Directors



The accompanying notes from I to 37 form an integral part of these consolidated financial statements.

**Al-Andalus Property Company (Saudi Joint Stock Company)**

**Consolidated Statement of Cash Flows**

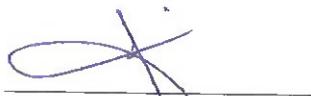
For the year ended 31 December 2025

(All amounts are expressed in Saudi Riyal (ﷲ) unless otherwise stated)

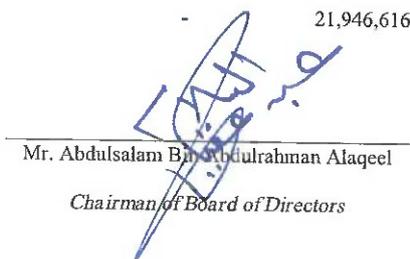
	Note	2025	2024
<b>OPERATING ACTIVITIES</b>			
Loss before zakat		(10,831,157)	(20,790,194)
<b>Adjustments for non-cash items:-</b>			
Depreciation:-			
- Property and equipment	7	5,626,282	5,393,918
- Investment properties	8	33,308,113	35,131,876
Impairment losses on property and equipment	7	3,000,000	8,000,000
Interest on lease liabilities	9	7,920,033	13,456,287
Share of loss from equity accounted investees	10	11,488,556	33,907,930
Gain on investment at fair value through profit or loss		-	(925,075)
Gain on disposal of a subsidiary	33	(3,956,055)	-
Allowance for expected credit losses on receivables from operating leases	11	9,833,668	1,900,618
Finance cost	17	58,793,571	54,789,689
Employees' benefits -- defined benefit obligations	16	2,701,196	2,552,536
		<b>117,884,207</b>	<b>133,417,585</b>
<b>Changes in:</b>			
Receivables from operating leases		15,848,860	8,173,254
Prepayments and other receivables		(2,610,803)	(11,975,984)
Related parties' balances, net		2,799,445	(2,839,781)
Advances from lessees and deferred revenue		7,329,824	3,116,851
Accruals and other payables		(1,225,747)	1,651,665
<b>Cash generated from operating activities</b>		<b>140,025,786</b>	<b>131,543,590</b>
Dividends received from equity-accounted investees	10	29,250,000	24,250,181
Zakat paid	23	(2,254,336)	(5,812,534)
Employees' benefits - defined benefit obligations	16	(623,649)	(1,171,392)
<b>Net cash from operating activities</b>		<b>166,397,801</b>	<b>148,809,845</b>
<b>INVESTING ACTIVITIES</b>			
Additions to property and equipment	7	(24,968,697)	(6,689,416)
Addition of equity-accounted investees	10	(6,250,000)	(101,788,000)
Additions to investment properties	8	(39,967,567)	(40,290,125)
Additions to right-of-use assets	8	-	(23,049,800)
Purchase of investments in financial instrument at FVTPL		-	(63,140,163)
Proceeds from sale of investments in financial instruments at FVTPL		-	64,065,238
Proceed from disposal of subsidiary net of cash	33	12,232,006	-
Redemption / (acquisition) of short-term Murabaha deposits	27	40,343,803	(40,343,803)
<b>Net cash used in investing activities</b>		<b>(18,610,455)</b>	<b>(211,236,069)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from Islamic finance facilities	17	27,293,750	54,000,000
Payment of interest on Islamic financing facilities	17	(59,418,880)	(59,198,881)
Payment of lease liabilities		(5,121,550)	(6,841,383)
Payment of interest on lease liabilities		(5,526,200)	(11,761,367)
Dividends paid		(46,666,666)	(23,333,333)
Dividends paid to the non-controlling interests		(19,350,000)	(21,499,062)
<b>Net cash used in financing activities</b>		<b>(108,789,546)</b>	<b>(68,634,026)</b>
Net change in cash and cash equivalents during the year		<b>38,997,800</b>	<b>(131,060,250)</b>
Cash and cash equivalents at the beginning of the year		<b>45,880,615</b>	<b>176,940,865</b>
<b>Cash and cash equivalents at end of the year</b>		<b>84,878,415</b>	<b>45,880,615</b>

**Material non-cash transactions**

Additions to right-of-use assets 21,946,616

  
Mr. Fawaz Bin Abdulaziz  
bin Huwail  
Chief Financial Officer

  
Eng. Faisal Bin Abdulrahman  
Alnasser  
Chief Executive Officer

  
Mr. Abdulsalam Bin Abdulrahman Alaqeel  
Chairman of Board of Directors

The accompanying notes from 1 to 37 form an integral part of these consolidated financial statements.

## **1. REPORTING ENTITY**

Al-Andalus Property Company (the “Company”) is a Saudi joint stock company established pursuant to the Ministerial Resolution No. 2509 dated 03/09/1427H corresponding to 26/09/2006 approving the declaration of the establishment of the Company. The Company is registered in Riyadh under the Commercial Registration No. 1010224110 and Unified Number 7001516512 dated 17 Ramadan 1427H corresponding to 10 October 2006.

The main activities of the company include construction, ownership and management of centers, commercial and residential complexes in addition to general contracting of residential, commercial buildings, educational, recreational, health institutions, roads, dams, water and sewage projects, electrical and mechanical works. The activities also include maintenance and operation of real estate properties, buildings and commercial complexes as well as ownership, development and investment of lands and properties for the benefit of the company and based on its purposes.

The head office of the company is located in Riyadh - Al Wadi District - Northern Ring Road - Al Andalus Property Company Building.

The financial year of the Group commences on 1 January and ends on 31 December of each Gregorian year.

Al-Andalus Property Company is referred to as (the “Company”) or referred collectively with its subsidiaries as disclosed in note 3, as (the “Group”).

## **2. BASIS OF PREPARATION**

### **2-1 Statement of compliance**

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

### **2-2 Basis of measurement**

The consolidated financial statements have been prepared on a historical cost basis, except for the employees’ benefits – defined benefit obligations which is measured at present value using the projected unit credit method.

As required by the Capital Market Authority (“CMA”) through its circular dated 16th October 2016 the Group needs to apply the cost model to measure the property and equipment, investment properties, and intangible assets upon adopting the IFRS Accounting Standards for three years period starting from the IFRS Accounting Standards adoption date.

On 31 December 2019, CMA has examined the suitability of continuing to use the cost model or permitting the use of the fair value model or revaluation options and made the following decisions:

Obligating listed companies to continue to use the cost model to measure Properties (IAS 16) and Investment Properties (IAS 40) in the financial statements prepared for financial periods within fiscal years, which start before the calendar year 2022; and

Allowing listed companies, the policy choice to use the fair value model for investment property subsequent to initial measurement or the policy choice to use the revaluation model for property (IAS 16) subsequent to initial recognition in the financial statements prepared for financial periods within fiscal years starting during the calendar year 2022 or thereafter. The Group has elected to apply the cost model and does not intend to move to the fair value model and discloses the fair value of the investment properties.

The Group discloses its investment properties and their fair value (note 8).

### **2-3 Functional and presentation currency**

These consolidated financial statements are presented in Saudi Riyals (ﷲ), which is the functional and presentation currency of the Group.

### **3. BASIS OF CONSOLIDATION**

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are considered to be expenses when incurred, except if related to the issue of debt instruments or equity.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss and other comprehensive income.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it will not be remeasured and the settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

If share-based payments awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquirer's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquirer's awards and the extent to which the replacement awards relate to pre-combination service.

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2025 and 2024. 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
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results 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 vote holders of the investee
- 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.

The financial statements of subsidiaries are prepared for the same reporting period 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.

**Al-Andalus Property Company (Saudi Joint Stock Company)**

**Notes To the Consolidated Financial Statements (continued)**

31 December 2025

(All amounts are expressed in Saudi Riyal (ﷲ) unless otherwise stated)

**3. BASIS OF CONSOLIDATION (continued)**

**Non-controlling interests**

For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

**Loss of control**

When the group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

**Transaction eliminated on consolidation**

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. 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 consolidated financial statements include the financial statements of the Company and its subsidiaries listed below for the year ended 31 December:

<b><u>Subsidiary's name</u></b>	<b><u>Country of Incorporation</u></b>	<b><u>% of shareholding</u></b>	
		<b>2025</b>	<b>2024</b>
Al-Ahli REIT Fund 1 (a)	Kingdom of Saudi Arabia	<b>68.73%</b>	68.73%
Mawared Al-Tamayuz Real Estate Company (b)	Kingdom of Saudi Arabia	<b>100%</b>	100%
Manafea Al Andalus Company for Real Estate Development (c)	Kingdom of Saudi Arabia	-	70%

Details of subsidiaries are as follows:

a- **Al-Ahli REIT Fund 1**

Al-Ahli REIT Fund 1 was formed in accordance with Capital Market Authority dated 11 Rabi' I 1438H (corresponding to 29 November 2017). The principal activities of the Fund are to make investments in investment properties. Currently, Al-Andalus managed the properties in the Fund through the master transfer agreement. Any change in the management of Fund's properties will require a majority of the unit holder voting. The Fund's investments represent the below properties:

<b><u>Nature and name of property</u></b>	<b><u>Location</u></b>
Alandalus Mall	Jeddah
Al-Andalus Mall Hotel	Jeddah
Salama Tower	Jeddah
QBIC Plaza	Riyadh

b- **Mawared Al-Tamayuz Real Estate Company**

Mawared Al-Tamayuz Real Estate Company is a limited liability company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010809659 dated 27 Dhul-Qidah 1443H corresponding to 26 June 2022G, Mawared Al-Tamayuz Real Estate Company holds a lease agreement of a land located in Riyadh on which Malqa Al-Analus Tower being constructed.

**3. BASIS OF CONSOLIDATION** (continued)

c- Manafea Al Andalus Company for Real Estate Development

Manafea Al Andalus Company for Real Estate Development was formed as a limited liability company in the Kingdom of Saudi Arabia and operates under Commercial Registration No 1010700657 dated 22 Rajab 1438H (corresponding to 19 April 2017). The principal activities of Manafea include leasing, managing properties owned or leasing (non-residential), and commissions from properties management, and development activities and investment activities.

<u>Nature and name of property</u>	<u>Location</u>
Al Marwah Plaza	Jeddah

The subsidiary was sold during the year ended 31 December 2025 (note 33).

**4. STANDARDS, INTERPRETATIONS AND AMENDMENTS**

*New and amended standards and interpretations*

Following are the standards and amendments effective on 1 January 2025 or after (unless otherwise stated) and do not have a material impact on the Group's financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IAS 21 - Lack of exchangeability

For annual reporting periods beginning on or after 1 January 2025, Lack of Exchangeability – Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendment did not have a material impact on the Group's financial statements.

*Standards issued but not yet effective*

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, is applicable when they become effective.

**IFRS 18 Presentation and Disclosure in Financial Statements**

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

The standard requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and it also includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes. In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards. IFRS 18, and the amendments to the other standards, are effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

The Group is currently working to identify all impacts the amendments will have on the consolidated financial statements and notes to the consolidated financial statements.

**4. STANDARDS, INTERPRETATIONS AND AMENDMENTS** (continued)

*Standards issued but not yet effective (continued)*

Other Standard, Amendment or Interpretation which will not have any impact on the Consolidated financial statements.

Standard, Amendment or Interpretation	Effective date
IFRS 19 Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to the Classification and Measurement of Financial Instruments—Amendments to IFRS 9 and IFRS 7	1 January 2026

**5. MATERIAL ACCOUNTING POLICES**

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements unless otherwise stated.

**Property and equipment**

Items of property and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses, if any. If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment. Any gain or loss on disposal of an item of property and equipment is recognized in profit or loss and other comprehensive income.

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated lives of property and equipment are as follows:

<u>Asset</u>	<u>Estimated lives in years</u>
Buildings	25-40
Leasehold Improvements	The lower of, lease term or useful life
Motor vehicles	4
Machinery and equipment	3-10

The estimated useful lives and residual values (if needed) and depreciation method are reviewed at each reporting date and adjusted if appropriate.

Construction in progress is stated at cost, net of accumulated impairment losses, if any.

**Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

**Investment properties**

Investment properties are non-current assets held either to earn rental income or for capital appreciation or for both, 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 on initial recognition and subsequently at cost less accumulated depreciation and impairment losses, if any.

Investment properties are derecognized when they are sold, owner-occupied or in case of not holding it for increase in its value.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss. When investment properties that were previously classified as property and equipment are sold, any related amount included in the revaluation reserve is transferred to retained earnings.

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

**Investment properties** (continued)

Expenses incurred for replacing component of investment properties items, which are accounting for separately are capitalized, and carrying amount 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 statement of profit or loss and other comprehensive income when incurred.

Estimated useful lives of different components of investment properties are as follows:

<u>Categories</u>	<u>Years</u>
Building	20 - 40

Construction in progress is stated at cost, net of accumulated impairment losses, if any.

**Impairment of non-financial assets**

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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 ("CGUs").

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**Equity-accounted investees - associates**

Equity-accounted investees are those companies over which the Group has significant influence. Significant influence is the Group's ability to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The results, assets, and liabilities of equity-accounted investees are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an equity-accounted investee is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the equity-accounted investee. When the Group's share of losses of the equity-accounted investee exceeds the Group's interest in that the equity-accounted investee (which includes any long-term interests that, in substance, form part of the Group's net investment in the equity-accounted investee), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the equity-accounted investee. If the equity-accounted investee subsequently reports profits, the Group resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

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

**Equity-accounted investees – associates** (continued)

An investment in the equity-accounted investees is accounted for using the equity method from the date on which the investee becomes an equity-accounted investee. On acquisition of the investment in the equity-accounted investees, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of identifiable assets and liabilities of equity-accounted investees over the cost of the investment, after reassessment, is recognized immediately in consolidated statement of profit or loss and other comprehensive income in the period in which the investment is acquired.

When a group entity transacts with an equity-accounted investee of the Group, profits or losses resulting from the transactions with the equity-accounted investee are recognized in the Group's consolidated financial statements only to the extent of interests in the equity-accounted investee that are not related to the Group.

The financial statements of the equity-accounted investee are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines at each reporting date whether there is any objective evidence that the investment in the equity-accounted investees is impaired. When necessary, the entire carrying amount of the investment (including underlying goodwill) is tested for impairment in accordance with IAS 36 'Impairment of Assets' as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

**Leases**

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration

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 recognizes 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 recognizes a right-of-use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

Right of use assets are depreciated using the straight-line method from the lease commencement date to the earlier end of the useful life of the right of use assets or the end of the lease term. The estimated useful lives of right of use assets are determined on the same basis as those of property and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

*Lease liabilities*

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined.

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

**Leases** (continued)

Lease payments included in the measurement of the lease liabilities comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal year if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee, or if the group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use assets or is recorded in profit or loss if the carrying amount of the right-of-use assets has been reduced to zero.

The group has presented separately the right-of-use assets and the lease liabilities in the statement of financial position.

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

The Group has elected not to recognize 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 recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**Interest expenses on lease liability**

The interest expenses on lease liability is charged to the Consolidated Statement of 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.

**Financial instruments**

**Recognition and initial measurement**

Trade receivables issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial asset (unless it is a receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. Trade receivables without a significant financing component is initially measured at the transaction price.

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

**Financial instruments (continued)**

*Financial assets*

**Classification of financial assets**

On initial recognition, a financial asset is classified as: measured at amortized cost, fair value through other comprehensive income (FVTOCI) or fair value through profit and loss (FVTPL).

Financial asset is measured at amortized cost if it meets both of the following conditions are met:

- a. the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b. 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 asset shall be measured at FVTOCI if both of the following conditions are met:

- a. the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b. 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 asset shall be measured at FVTPL unless it is measured at amortized cost or at FVTOCI.

**Financial assets**

Cash and bank balances  
 Operating lease receivables  
 Due from related parties

**IFRS 9 classification**

Amortized cost  
 Amortized cost  
 Amortized cost

***Subsequent measurement***

The following accounting policies apply to the subsequent measurement of financial assets:

<b>Financial assets at FVTPL</b>	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividends income, are recognized in profit or loss.
<b>Financial assets at amortized cost</b>	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gain, loss, and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
<b>Debt investments at FVOCI</b>	These assets are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
<b>Equity investments at FVOCI</b>	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividends clearly represent a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

***Reclassification***

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

***Derecognition***

Financial asset is derecognized when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement, and either:
  - (a) The Group has transferred substantially all the risks and rewards of the asset, or
  - (b) The Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

## 5. MATERIAL ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

#### *Financial assets*

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value.

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognizes the amount adjusting the gross carrying amount as modification gain or loss in the consolidated statement of profit or loss.

#### *Impairment of financial assets*

IFRS 9 impairment requirements use more forward-looking information to recognize expected credit losses – the ‘expected credit losses (ECLs) model’. Instruments within the scope of the new requirements included operating lease receivables.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead, the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

#### **Expected credit losses assessment for operating lease receivables:**

The Group applies the IFRS 9 simplified approach in measuring expected credit losses which uses a lifetime expected credit losses provision.

The expected loss rates are based on the payment profiles of receivables over a period of 12 months before each reported period and corresponding historical credit losses experienced within this period.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified Gross Domestic “GDP” Product of Kingdom of Saudi Arabia (the country in which it renders the services), inflation rate of Saudi Arabia and Saudi Governmental spending to be the most relevant factors, and accordingly adjusts the historical loss rates based.

The expected loss approach breaks the total loss amount modelling into following parts: probability of default (“PD”), loss given default (“LGD”), exposure at default (“EAD”). These are briefly described below:

**Loss given default (LGD):** This is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD.

**Probability of default (PD):** the likelihood of a default over a particular time horizon.

**Exposure at default (EAD):** This is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

#### **Presentation of impairment**

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Impairment losses related to operating lease receivables are presented separately in the statement of profit or loss and other comprehensive income.

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

***Model and framework***

The Group uses a point in time PD model to measure its impairment on financial assets. Point in time PD models incorporate information from a current credit cycle and assess risk at a point in time. The point in time PD structure can be used to measure credit deterioration and starting PD when performing the allowance calculations. Also, when calculating lifetime expected credit losses, after the inputs are correctly converted, cash flows can be projected and gross carrying amount, loss provision, and amortized cost for the financial instrument are then calculated.

***Macroeconomic weighted average scenarios***

The Group includes macroeconomic factors of GDP, inflation rate and Governmental spending to develop multiple scenarios, the purpose is towards the realization of most likely outcome using worst and best case scenarios. The scenario-based analysis incorporates forward-looking information into the impairment estimation using multiple forward-looking macroeconomic scenarios. The estimate of expected credit losses reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes.

After the inputs to the model are adjusted for above mentioned macroeconomic scenarios, PD of each scenario is calculated and then weighted average PD. In the last step, a weighted average lifetime ECL is determined.

***Portfolio segmentation***

The Group assesses its financial assets based on credit risk characteristics using segmentations such as geographical region, type of customer, customer rating etc. The different segments reflect differences in PDs and in recovery rates in the event of "default".

***Definition of default***

In the above context, the Group considers default when:

- the customer is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- When the customer is past due on any material credit obligation to the Group. The customer is more than 90 days past due on any material credit obligation to the Group.

The carrying amount of the asset is reduced using the above model and the loss is recognized in the consolidated statement of comprehensive income. Receivables, together with the associated provision are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced. If a write-off is later recovered, the recovery is recognized under other income in the consolidated statement of profit or loss.

***Specific provision***

Specific provision is recognized on customer to customer basis at every reporting date. The Group recognizes specific provision against receivables from certain customers. Provisions are reversed only when the outstanding amounts are recovered from the customers.

***Write-off***

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

***Financial liabilities***

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities mainly includes trade and other payables, related party and borrowings.

After initial recognition, loans and borrowings are subsequently measured at amortized cost using the effective interest rate method.

**Financial liabilities**

Trade payables  
Accrued expenses and other payables  
Loans  
Due to related parties

**IFRS 9 classification**

Amortized cost  
Amortized cost  
Amortized cost  
Amortized cost

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

**Derecognition**

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

**Financial liabilities**

The Group derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, new financial liabilities based on the modified terms are recognized at fair value. The difference between the carrying amount of the financial liability distinguished and the new financial liability with modified terms is recognized in the consolidated statement of profit or loss.

**Offsetting of financial instruments**

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

Non-current assets classified as held for sale are presented separately and are measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets such as financial assets, continue to be measured in accordance with the Group's relevant accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortization.

Any gain or loss arising from the sale of a discontinued operation or its remeasurement to fair value less costs to sell is presented as part of a single line item, profit or loss from discontinued operations.

**Cash and cash equivalents**

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks, short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

**Employees' benefits**

*Short term obligations*

Short-term employees' benefits are expensed as the related service is provided. A liability is recognised 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.

*Post-employment obligation*

The Group provides end of service benefits to its employees in accordance with the requirements of Saudi Labor Law. The entitlement to these benefits, is based upon the employees' basic salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are recognized over the service period.

Employees' benefits obligation plans are not funded. Accordingly, valuations of the obligations under those plans are carried out by an independent actuary based on the projected unit credit method and the liability is recorded based on an actuarial valuation.

The liability recognized in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligations are calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

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

Past-service costs are recognized immediately in the consolidated statement of profit or loss and other comprehensive income.

The interest cost is calculated by applying the discount rate to the balance of the defined benefit obligations. This cost is included in employee benefit expense in the consolidated statement of income. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited in other comprehensive income in the period in which they arise

**Revenue recognition**

Revenue is measured based on the consideration specified in a contract with a customer and is recognized when a customer obtains control of the service. Determining the timing of the transfer of control – at point in time or over time – requires judgement.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding any levies or duty.

*Rental income*

The Group is deemed as the lessor for various operating leases. Rental income arising from operating leases on investment properties is recognized, net of discount, in accordance with the terms of lease contracts over the lease term on a straight-line basis, and they are recorded as income in the consolidated statement of profit or loss due to its operating nature, unless there is another basic alternative is more representative of the pattern of benefits to be derived from the leased asset. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the management are reasonably certain that the tenant will exercise that option. Accrued revenue is recognized to the extent that the revenue has been earned but not yet billed.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognized in the consolidated statement of profit or loss when the right to receive them arises.

*IFRS 15: Revenue from contracts with customers*

IFRS 15: Revenue from contracts with customers includes revenue resulting from selling of goods and rendering of services. This standard based on principle of revenue recognition when control on goods or service is transferred to the customer, unless these contracts are in the scope of other standards. The new standard establishes a five steps approach for accounting of revenue from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which a Group expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires organizations to make estimation, taking into account all facts and related circumstances upon applying each step of the approach on the contracts with its customers. In addition, the standard determines accounting of the additional costs to obtain the contract and cost related directly to perform the contract.

The Group is engaged in leasing activities and these contracts are within the scope of IFRS 16, consequently, IFRS (15) does not have significant impact on the Group's consolidated financial statements.

**Statutory reserve**

In accordance with the Company's bylaws and the previous Saudi Arabian Regulations for Companies, the Group sets aside 10% of its net income each year as statutory reserve until such reserve equals to 30% of the share capital. However, with the introduction of the new Companies Law in the Kingdom of Saudi Arabia for implementation, the requirement to maintain the statutory reserve is no longer in place. The statutory reserve transferred to retained earnings (note 14).

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

**Zakat**

The Group and its subsidiaries are subject to Zakat in accordance with the zakat regulation issued by the Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia, which is subject to interpretations. Zakat is levied at a fixed rate of 2.5% on the higher of adjusted Zakat profit or based on net equity using the basis defined in the zakat regulation. The management establishes provisions where appropriate on the basis of amounts expected to be paid to the ZATCA and periodically evaluates positions taken in the Zakat returns with respect to situations in which applicable income tax regulation is subject to interpretation. Zakat is charged to the consolidated statement of profit or loss and other comprehensive income. Additional zakat liability, if any, related to prior years' assessments arising from ZATCA are accounted for in the period in which the final assessments are finalized.

**Provisions**

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

**Dividends to shareholders**

Interim dividends are recorded as a liability in the period in which they are approved by the Board of Directors. Final dividends are recorded in the period in which they are approved by the shareholders in the General Assembly.

**Reporting Segments**

IFRS 8 requires operating segments to be identified based on internal reports that are regularly reviewed by the Group executive management and used to allocate resources to segments and assess their performance. The operating segments described in note 24 has been identified in accordance with IFRS 8. Most of the Group's revenues, profits and assets relate to its operations in Saudi Arabia and arise from these reportable business segments. The executive management monitors the operational results of these operating segments separately for making decisions about resource allocation and performance evaluation. The performance of the segment is evaluated on a profit or loss basis and is measured in a manner consistent with the profit or loss recognized in the consolidated financial statements.

**Earnings per share**

The Company presents basic earnings per share for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the number of ordinary shares outstanding during the year.

## 6. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements requires management to make judgment, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In the process of applying the Group's accounting policies, management has made the following estimates and judgments, which are significant to the consolidated financial statements:

### **Judgments**

Information about judgments made in applying accounting policies that have significant effects on the amounts recognized in the consolidated financial statements are included in the following notes:

Note 3 - whether the Group exercises control over an investee.

Note 10 - Equity-accounted investees classification

Note 5 - Determining whether an arrangement contains a lease

### **Assumptions and estimation uncertainties**

Information about assumptions and estimation uncertainties that have the most significant effect on the amounts recognized in the consolidated financial statements, are described below:

#### Provision for expected credit losses on operating lease receivables

The Group uses a provision matrix to calculate ECLs of operating lease receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic, product inflation rate of Saudi Arabia and Saudi Governmental spending) are expected to deteriorate over the next year which can lead to an increased number of defaults in the real estate sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecasted economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 11.

#### Valuation of investment properties

The Group uses the services of qualified and independent valuers to obtain estimates of the fair value of investment properties using recognized valuation techniques for the purpose of impairment review and disclosures in the consolidated financial statements, for further details of assumptions and estimates.

#### Useful lives of properties

The management determines the estimated useful lives of property, equipment and investment properties for calculating depreciation. This estimate is determined after considering expected usage of the assets and physical wear and tear. Management reviews the residual value and useful lives annually, and changes in depreciation charges, if any, are adjusted in current and future periods.

**6. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS** (continued)

Impairment of non - financial assets

Impairment exists when the carrying value of an asset or cash generating unit (“CGU”) exceeds the recoverable amount, which is the higher of the fair value less costs to sell and value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm’s length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flows (“DCF”) model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets tested. The recoverable amount is sensitive to the discount rate used for the Discounted Cash Flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to property recognized by the Group.

Employees’ benefits – defined benefit obligations

The Group operates an End of service benefit plan for its employees based on the prevailing Saudi Labor laws. The liability is being accrued based on projected credit unit method in accordance with the periodic actuarial valuation. For details of assumptions and estimate (note 16).

Certain actuarial assumptions have been adopted as disclosed (note 16) to these consolidated financial statements for valuation of present value of defined benefit obligations. Any changes in these assumptions in future years might affect gains and losses in those years.

Lease classification - Group as lessor

The Group is the lessor in various operating leases. All leases are classified as operating leases from the lessor view, where the Group deems that they do not transfer substantially all the risks and rewards incidental to ownership of an underlying leased asset.

**Al-Andalus Property Company** (Saudi Joint Stock Company)

**Notes To the Consolidated Financial Statements** (continued)

31 December 2025

(All amounts are expressed in Saudi Riyal (ﷲ) unless otherwise stated)

**7. PROPERTY AND EQUIPMENT**

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Projects under construction</u>	<u>Motor vehicles</u>	<u>Total</u>
<i>Cost:</i>						
Balance at 1 January 2024	16,034,745	169,933,899	25,069,175	1,799,448	563,100	213,400,367
Additions	-	-	1,461,039	4,708,117	520,260	6,689,416
Balance at 31 December 2024	16,034,745	169,933,899	26,530,214	6,507,565	1,083,360	220,089,783
Additions	-	-	3,110,999	21,857,698	-	24,968,697
Disposal of subsidiary (note 33)	-	(410,170)	(357,068)	-	-	(767,238)
<b>Balance at 31 December 2025</b>	<b>16,034,745</b>	<b>169,523,729</b>	<b>29,284,145</b>	<b>28,365,263</b>	<b>1,083,360</b>	<b>244,291,242</b>
<i>Accumulated depreciation and impairment:</i>						
Balance at 1 January 2024	-	(51,440,480)	(19,444,566)	-	(563,100)	(71,448,146)
Charge for the year	-	(3,292,424)	(1,994,155)	-	(107,339)	(5,393,918)
Impairment during the year*	-	(8,000,000)	-	-	-	(8,000,000)
Balance at 31 December 2024	-	(62,732,904)	(21,438,721)	-	(670,439)	(84,842,064)
Charge for the year	-	(4,816,093)	(680,124)	-	(130,065)	(5,626,282)
Impairment during the year*	-	(3,000,000)	-	-	-	(3,000,000)
Disposal of subsidiary (note 33)	-	264,801	167,816	-	-	432,617
<b>Balance at 31 December 2025</b>	<b>-</b>	<b>(70,284,196)</b>	<b>(21,951,029)</b>	<b>-</b>	<b>(800,504)</b>	<b>(93,035,729)</b>
<i>Net carrying amount:</i>						
<b>31 December 2025</b>	<b>16,034,745</b>	<b>99,239,533</b>	<b>7,333,116</b>	<b>28,365,263</b>	<b>282,856</b>	<b>151,255,513</b>
31 December 2024	16,034,745	107,200,995	5,091,493	6,507,565	412,921	135,247,719

Depreciation charged for the year ended 31 December is allocated as follows:

	<u>2025</u>	<u>2024</u>
Cost of revenue	4,712,370	4,819,779
General and administrative expenses	913,912	574,139
	<b>5,626,282</b>	<b>5,393,918</b>

The Group has pledged Al-Andalus Mall and Al-Andalus Mall Hotel against Islamic financing facility that is obtained from Local Bank (note 17). The carrying values of Al Andalus Mall Hotel aggregates to ﷲ 139.6 million as at the reporting date (31 December 2024: SR 125.4 million).

The project under construction represents cost incurred for renovation of Al-Andalus Mall Hotel.

\* The Group tested Al-Andalus Mall Hotel for impairment and recognized an impairment loss of ﷲ 3 million (2024: ﷲ 8 million) with respect to property and equipment. The key assumption used is discount rate in determining the fair value and value in use using the discounted cash flow method technique.

**Al-Andalus Property Company** (Saudi Joint Stock Company)

**Notes To the Consolidated Financial Statements** (continued)

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(All amounts are expressed in Saudi Riyal (ﷲ) unless otherwise stated)

**8. INVESTMENT PROPERTIES**

	<u>Lands</u>	<u>Buildings</u>	<u>Projects under construction</u>	<u>Right of Use Asset (Land)</u>	<u>Total</u>
<i>Cost:</i>					
Balance at 1 January 2024	412,985,558	936,111,329	116,475,311	133,951,505	1,599,523,703
Additions	-	1,775,759	38,514,366	44,996,415	85,286,540
Transferred from projects under construction to buildings	-	152,529,893	(152,529,893)	-	-
Balance at 31 December 2024	412,985,558	1,090,416,981	2,459,784	178,947,920	1,684,810,243
Additions	-	-	39,967,567	-	39,967,567
Disposal of subsidiary (note 33)	-	(43,277,651)	-	(45,872,364)	(89,150,015)
Transferred	-	745,794	(745,794)	-	-
<b>Balance at 31 December 2025</b>	<b>412,985,558</b>	<b>1,047,885,124</b>	<b>41,681,557</b>	<b>133,075,556</b>	<b>1,635,627,795</b>
<i>Accumulated depreciation and impairment:</i>					
Balance at 1 January 2024	-	(212,208,747)	-	(63,297,436)	(275,506,183)
Charge for the year	-	(28,248,848)	-	(6,883,028)	(35,131,876)
Balance at 31 December 2024	-	(240,457,595)	-	(70,180,464)	(310,638,059)
Charged for the year	-	(28,609,482)	-	(4,698,631)	(33,308,113)
Disposal of subsidiary (note 33)	-	17,004,894	-	13,106,390	30,111,284
<b>Balance at 31 December 2025</b>	<b>-</b>	<b>(252,062,183)</b>	<b>-</b>	<b>(61,772,705)</b>	<b>(313,834,888)</b>
<i>Net carrying amount:</i>					
<b>31 December 2025</b>	<b>412,985,558</b>	<b>795,822,941</b>	<b>41,681,557</b>	<b>71,302,851</b>	<b>1,321,792,907</b>
31 December 2024	412,985,558	849,959,386	2,459,784	108,767,456	1,374,172,184

\* During the year ended 31 December 2024, additions to the right-of-use assets amounted to ﷲ 44.9 million include a payment of ﷲ 23 million to acquire Mawared Al-Tamayuz Real Estate Company (note 34). The purchase consideration was allocated to the right-of-use assets which represent the identifiable assets for the purpose of this acquisition.

The project under construction represents the expansion works for Al-Andalus Mall and Malqa and construction cost incurred on Malqa Al-Andalus Tower, no borrowing cost was capitalized in the current year (2024: ﷲ 6.1 million). Depreciation charge for year is charged to the cost of revenues.

As indicated in note 17, The Group has pledged Al-Andalus Mall, which its carrying amount of ﷲ 525.2 million (31 December 2024: ﷲ 537.5 million), against Islamic financing facility that is obtained from local bank. Also, the Group has pledged Yassmin Al-Andalus Tower which its carrying amount of ﷲ 194.2 million (31 December 2024: ﷲ 198.5 million), against Islamic financing facility that is obtained from local bank. The lands and the buildings classified as investment properties were assessed by external valuers to determine their fair value as at 31 December 2025. The fair values of the investment properties amounted to ﷲ 2.35 billion (2024: ﷲ 2.37 billion) as at that date. The key assumptions used in determining the fair values of the investment properties were discount rates and the valuation approaches used are the income approach (discounted cash flows) and sales comparable method. The external valuers are accredited by the Saudi Authority for Accredited Valuers (TAQEEM).

**8. INVESTMENT PROPERTIES** (continued)

The following table shows the valuations techniques used in determining the fair value of investment properties, as well as key unobservable inputs used in valuation models.

Property name	Valuation approach	Purpose	Key inputs and valuation assumptions	Fair value measurement	
				Fair value as at 31 December 2025	Fair value as at 31 December 2024
Head office of Al-Andalus Company	Sales comparison technique	Rental income and capital appreciation	Comparable sale price	<b>22,400,000</b>	22,000,000
Al Sahafa Center	Income approach (Discounted cash flows)	Rental income and capital appreciation	Discount rate 8.5% Occupancy 100%	<b>10,000,000</b>	11,000,000
Al Tital Center	Income approach (discounted cash flows)	Rental income and capital appreciation	Discount rate 8% Occupancy 95%	<b>6,100,000</b>	7,000,000
Al Yarmouk Center	Income approach (discounted cash flows)	Rental income and capital appreciation	Discount rate 8.5% Occupancy 100%	<b>6,000,000</b>	7,000,000
Yassmin Al-Andalus Tower	Income approach (discounted cash flows)	Rental income and capital appreciation	Discount rate 10.5% Occupancy 100%	<b>214,000,000</b>	214,000,000
Alandalus Mall	Income approach (discounted cash flows)	Rental income and capital appreciation	Discount rate 10% Occupancy 99%	<b>1,426,706,000</b>	1,413,767,500
Al Marwah Plaza *	Income approach (discounted cash flows)	Rental income and capital appreciation	Discount rate 8.5%	-	30,000,000
Salama Tower	Income approach (discounted cash flows)	Rental income and capital appreciation	Discount rate 10.33% Exit yield rate 8.5%	<b>269,764,275</b>	281,115,500
QBIC Plaza	Income approach (discounted cash flows)	Rental income and capital appreciation	Discount rate 10.33% Exit yield rate 8.5%	<b>334,831,500</b>	275,774,000

\*During the year, the Group has sold Manafea Al Andalus company (note 33).

The Group uses the valuation reports from the independent valuers engaged by the management to evaluate the fair values of properties at the reporting date. The valuers have appropriate qualifications and experience in the valuation of properties at the relevant locations. The details of independent valuers as follows:

The details of independent valuers as follows:

- 1- ValuStart: TAQEEM record No. 1210000320
- 2- ESNAD: TAQEEM record No. 1210000934
- 3- QIAM: TAQEEM record No. 1210000052

The valuation technique used were based on the third level of fair value extraction methods.

**Al-Andalus Property Company** (Saudi Joint Stock Company)**Notes To the Consolidated Financial Statements** (continued)

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**8. INVESTMENT PROPERTIES** (continued)**Reconciliation of level 3 fair value**

<b>Fair value for investment properties as follows:</b>	<u>2025</u>	<u>2024</u>
Shopping malls on owned lands	<b>1,426,706,000</b>	1,413,767,500
Shopping malls on leasehold lands	<b>22,100,000</b>	55,000,000
Owned lands/buildings held as investment properties	<b>840,995,775</b>	792,889,500
Add: carrying amount of lease liability	<b>56,280,669</b>	109,365,727
	<b><u>2,346,082,444</u></b>	<u>2,371,022,727</u>

**9. LEASE LIABILITIES**

Lease liabilities related to leased lands for a period of time ranging from 20 to 25 years.

	<u>2025</u>	<u>2024</u>
Balance at the beginning of the year	<b>132,262,190</b>	115,462,037
Additions during the period	-	21,946,616
Disposal of subsidiary (note 33)	<b>(50,967,487)</b>	-
Interest expense on lease liabilities	<b>7,920,033</b>	13,456,287
Payment of lease liabilities	<b>(10,647,750)</b>	(18,602,750)
<b>Balance at the end of the year</b>	<b><u>78,566,986</u></b>	<u>132,262,190</u>
Non-current	<b>65,319,236</b>	114,959,440
Current	<b>13,247,750</b>	17,302,750
	<b><u>78,566,986</u></b>	<u>132,262,190</u>

**Maturity analysis – contractual un-discounted cash flows:**

Less than 1 year	<b>13,247,750</b>	17,302,750
1 - 5 years	<b>70,250,622</b>	103,651,802
More than 5 years	<b>77,542,570</b>	169,403,590
<b>Total un-discounted lease liabilities</b>	<b><u>161,040,942</u></b>	<u>290,358,142</u>

**Operating leases**

The Group leases out its investment property. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Note 24 sets out information about the operating leases of investment property.

Rental income recognized by the Group during 2025 was ﷲ 209.7 million (2024: ﷲ 211.2 million).

## 10. EQUITY ACCOUNTED INVESTEEES

A summary of the details of the investments in the equity-accounted investees is as follows:

	Nature of investment	Country of incorporation	% of shareholding		2025	2024
			2025	2024	2025	2024
Al Aswaq Al Mutatawerah Company	Associate**	KSA	50%	50%	<b>98,303,849</b>	101,469,385
Hayat Real Estate Company	Associate	KSA	25%	25%	<b>197,267,844</b>	197,525,907
Soroooh Al Marakiz Company	Associate	KSA	25%	25%	<b>48,971,356</b>	49,031,249
West Jeddah Hospital Company	Associate**	KSA	50%	50%	<b>85,744,539</b>	115,613,544
Al-Jawhra Al-Kubra Company	Associate	KSA	25%	25%	<b>44,389,212</b>	50,954,583
Massat Property Company *	Associate	KSA	25%	25%	<b>61,550,098</b>	56,120,786
					<b><u>536,226,898</u></b>	<u>570,715,454</u>

\* These equity-accounted investees have not yet commenced commercial operations.

\*\* The Group owns 50% of the shareholding of these associates and does not own control or common control, where the Group re-evaluate its ability to exercise control over the investee through its ability to direct the related activities of the investees. The Group considers all other relevant facts and circumstances in assessing whether it has power over an investee, including any contractual and other such arrangements which may affect the activities which impact investees' return.

The financial statements of the equity-accounted investee are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The movement in investment in equity-accounted investees is as follows:

	2025	2024
Opening balance	<b>570,715,454</b>	527,085,565
Share of (loss)/profit from equity-accounted investees	<b>(11,488,556)</b>	(33,907,930)
Dividends received from equity-accounted investees	<b>(29,250,000)</b>	(24,250,181)
Additions during the year *	<b>6,250,000</b>	101,788,000
Balance at the end of the year	<b><u>536,226,898</u></b>	<u>570,715,454</u>

\* During the year ended 31 December 2025, the additions represent the increase in the carrying amount of investment in Massat Property Company through additional capital contribution without change in ownership percentage.

\* During the year ended 31 December 2024, the addition represents additional capital contribution in West Jeddah Hospital Company without change in the ownership.

The Group had issued a financial guarantee amounting up to ﷲ 766.5 million to local bank in respect of credit facilities obtained by West Jeddah Hospital Company (associate).

**Al-Andalus Property Company** (Saudi Joint Stock Company)

**Notes To the Consolidated Financial Statements** (continued)

31 December 2025

(All amounts are expressed in Saudi Riyal (ﷲ) unless otherwise stated)

**10. EQUITY ACCOUNTED INVESTEEES** (continued)

<b>2025</b>	<b>Al Aswaq Al Mutatawerah Company</b>	<b>Hayat Real Estate Company</b>	<b>Sorooh Al Marakiz Company</b>	<b>West Jeddah Hospital Company</b>	<b>Al-Jawhra Al-Kubra Company</b>	<b>Massat Property Company</b>	<b>Total</b>
Non-current assets	186,737,264	425,379,019	197,799,456	1,772,966,744	1,093,219,860	452,500,452	4,128,602,795
Current assets	20,526,446	21,736,433	1,354,793	237,782,038	33,269,737	141,785,868	456,455,315
Non-current liabilities	(1,091,040)	(2,559,831)	-	(1,622,847,787)	(783,317,259)	(321,379,475)	(2,731,195,392)
Current liabilities	(9,564,973)	(38,484,243)	(3,268,825)	(170,339,854)	(165,615,490)	(26,706,454)	(413,979,839)
<b>Net assets</b>	<b>196,607,697</b>	<b>406,071,378</b>	<b>195,885,424</b>	<b>217,561,141</b>	<b>177,556,848</b>	<b>246,200,391</b>	<b>1,439,882,879</b>
Adjustments	-	-	-	(91,959,124)	-	-	(91,959,124)
Group's share percentage	50%	25%	25%	50%	25%	25%	
<b>Group's share of net assets</b>	<b>98,303,849</b>	<b>101,517,844</b>	<b>48,971,356</b>	<b>62,801,009</b>	<b>44,389,212</b>	<b>61,550,098</b>	<b>417,533,368</b>
The Group's share of profit from sold land	-	-	-	22,943,530	-	-	22,943,530
Goodwill	-	95,750,000	-	-	-	-	95,750,000
<b>Carrying amount of investment in equity-accounted investees</b>	<b>98,303,849</b>	<b>197,267,844</b>	<b>48,971,356</b>	<b>85,744,539</b>	<b>44,389,212</b>	<b>61,550,098</b>	<b>536,226,898</b>
Total revenue of the equity-accounted investees	37,335,686	119,443,109	-	662,510,900	110,152,340	-	929,442,035
Net gain / (loss) of equity-accounted investees	18,668,927	65,967,749	(141,060)	(59,738,009)	(23,994,572)	(3,282,750)	(2,519,715)
The Group's share of income / (loss) from equity-accounted investees	9,334,464	16,491,937	(59,893)	(29,869,005)	(6,565,372)	(820,687)	(11,488,556)

**Al-Andalus Property Company** (Saudi Joint Stock Company)

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(All amounts are expressed in Saudi Riyal (ﷲ) unless otherwise stated)

**10. EQUITY ACCOUNTED INVESTEEES** (continued)

<b>2024</b>	<b>Al Aswaq Al Mutatawerah Company</b>	<b>Hayat Real Estate Company</b>	<b>Sorooh Al Marakiz Company</b>	<b>West Jeddah Hospital Company</b>	<b>Al-Jawhra Al- Kubra Company</b>	<b>Massat Property Company</b>	<b>Total</b>
Non-current assets	192,593,933	414,185,100	197,764,460	1,671,573,319	1,028,095,278	265,679,333	3,769,891,423
Current assets	21,100,209	43,507,837	1,380,210	323,578,606	41,532,276	34,364,777	465,463,915
Non-current liabilities	(1,069,955)	(2,091,418)	-	(1,540,365,474)	(683,000,000)	(65,099,172)	(2,291,626,019)
Current liabilities	(9,685,417)	(48,497,890)	(3,019,673)	(177,487,301)	(182,809,221)	(10,461,797)	(431,961,299)
<b>Net assets</b>	<b>202,938,770</b>	<b>407,103,629</b>	<b>196,124,997</b>	<b>277,299,150</b>	<b>203,818,333</b>	<b>224,483,141</b>	<b>1,511,768,020</b>
Adjustments	-	-	-	(91,959,124)	-	-	(91,959,124)
Group's share percentage	50%	25%	25%	50%	25%	25%	
<b>Group's share of net assets</b>	<b>101,469,385</b>	<b>101,775,907</b>	<b>49,031,249</b>	<b>92,670,013</b>	<b>50,954,583</b>	<b>56,120,786</b>	<b>452,021,923</b>
The Group's share of profit from sold land	-	-	-	22,943,531	-	-	22,943,531
Goodwill	-	95,750,000	-	-	-	-	95,750,000
<b>Carrying amount of investment in equity-accounted investees</b>	<b>101,469,385</b>	<b>197,525,907</b>	<b>49,031,249</b>	<b>115,613,544</b>	<b>50,954,583</b>	<b>56,120,786</b>	<b>570,715,454</b>
Total revenue of the equity-accounted investees	36,619,042	127,748,451	-	293,622,628	96,309,411	-	554,299,532
Net gain / (loss) of equity-accounted investees	17,672,763	83,057,079	-	(96,453,616)	(47,457,639)	(1,000,850)	(44,182,263)
The Group's share of gain /(loss) from equity-accounted investees	4,854,615	20,764,270	-	(48,226,808)	(11,067,716)	(232,291)	(33,907,930)

**Al-Andalus Property Company** (Saudi Joint Stock Company)  
**Notes To the Consolidated Financial Statements** (continued)  
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(All amounts are expressed in Saudi Riyal (ﷲ) unless otherwise stated)

**11. RECEIVABLES FROM OPERATING LEASE**

	<u>2025</u>	<u>2024</u>
Operating lease receivables	59,628,700	90,773,651
Allowance for expected credit losses	<u>(26,238,112)</u>	<u>(28,581,717)</u>
	<u>33,390,588</u>	<u>62,191,934</u>

Movement in Allowance for expected credit losses:

	<u>2025</u>	<u>2024</u>
1 January	28,581,717	31,097,190
Provided during the year	9,833,668	1,900,618
Write-offs during the year	<u>(9,348,962)</u>	<u>(4,416,091)</u>
Disposal of subsidiary (note 33)	<u>(2,828,311)</u>	-
31 December	<u>26,238,112</u>	<u>28,581,717</u>

The aging analysis of operating lease receivables at the reporting date is include in note 30 (d).

**12. PREPAYMENTS AND OTHER RECEIVABLES**

	<u>2025</u>	<u>2024</u>
Accrued income	11,952,347	13,452,268
Prepaid expenses	5,675,390	4,077,987
Advances to suppliers	881,905	2,262,701
Employees' advances	2,777,023	3,030,994
Prepaid insurances	1,588,787	1,756,145
Value added tax (VAT)	<u>2,696,128</u>	<u>2,607,838</u>
	<u>25,571,580</u>	<u>27,187,933</u>

**13. SHARE CAPITAL**

The Company's share capital as at 31 December 2025 amounts to ﷲ 933,333,330 (2024: ﷲ 933,333,330) divided into 93,333,333 shares with a nominal value of SR 10 per share.

**14. STATUTORY RESERVES**

The company's articles of association were updated in accordance with the new Companies Law. Subsequent to the update for articles of association the Company's General Assembly on 1 December 2024 approved to transfer the balance of the statutory reserve amounting to ﷲ 100.6 million as in the consolidated financial statements for the year ended 31 December 2024 to the retained earnings balance.

**Al-Andalus Property Company** (Saudi Joint Stock Company)**Notes To the Consolidated Financial Statements** (continued)

31 December 2025

(All amounts are expressed in Saudi Riyal (ﷲ) unless otherwise stated)

**15. NON-CONTROLLING INTEREST**

The details of the subsidiary that has significant non-controlling interests for the Group are summarized below:

	<u>2025</u>	<u>2024</u>	
	<u>Al-Ahli REIT Fund 1</u>	<u>Al-Ahli REIT Fund 1</u>	<u>Manafea Al-Andalus Company</u>
Non-controlling ownership percentage	<u>31.27%</u>	<u>31.27%</u>	<u>30%</u>
Non-current assets	<b>1,926,302,749</b>	1,916,603,406	59,373,352
Current assets	<b>62,107,036</b>	69,881,026	10,113,970
Non-current liabilities	<b>742,667,945</b>	714,279,664	44,312,488
Current liabilities	<b>93,426,678</b>	76,401,276	9,397,768
Net assets	<b>1,152,315,162</b>	1,195,803,492	15,777,066
Net assets attributable to non-controlling interests	<b>124,611,841</b>	138,231,240	4,733,120
Gross revenue	<b>196,821,619</b>	187,881,938	9,841,068
Net income	<b>18,326,194</b>	26,677,715	(1,600,188)
Other comprehensive income	-	-	-
Total comprehensive income	<b>18,326,194</b>	26,677,715	(1,600,188)
Profits attributable to non-controlling interests	<b>5,730,601</b>	8,342,122	(480,056)
Total comprehensive income attributable to non-controlling interests	<b>5,730,601</b>	8,342,122	(480,056)
Net cash generated from operating activities	<b>129,247,273</b>	105,786,365	5,776,281
Net cash used in investing activities	<b>(38,327,088)</b>	(41,423,274)	(90,000)
Net cash used in financing activities	<b>(83,126,279)</b>	(65,926,766)	(6,655,000)
Net change in cash and cash equivalents during the year	<b>7,793,906</b>	(1,563,675)	(968,719)

**16. EMPLOYEES' BENEFITS – DEFINED BENEFIT OBLIGATIONS**

Movement in employees' benefits - defined benefit obligations recognized in the statement of financial position is as follows:

	<u>2025</u>	<u>2024</u>
<b>Balance at 1 January</b>	<b>12,604,414</b>	10,873,929
Current service cost	<b>1,970,962</b>	1,789,428
Interest cost	<b>730,234</b>	763,108
Actuarial loss on the obligation (OCI)	<b>369,703</b>	349,341
Benefits paid	<b>(623,649)</b>	(1,171,392)
<b>Balance at 31 December</b>	<b>15,051,664</b>	12,604,414

**Al-Andalus Property Company** (Saudi Joint Stock Company)  
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**16. EMPLOYEES' BENEFITS – DEFINED BENEFIT OBLIGATIONS** (continued)

Benefit expense recognized in profit or loss

	2025	2024
Current service cost	<b>1,970,962</b>	1,789,428
Interest cost	<b>730,234</b>	488,418
Past Service Cost	-	274,690
	<u><b>2,701,196</b></u>	<u>2,552,536</u>

Significant assumptions used in determining the post-employment defined benefit obligations include the following:

	2025	2024
Discount rate	<b>5.30%</b>	6.00%
Future salary increase rate	<b>7.00%</b>	7.00%

The sensitivity analysis of the quantitative effect of assumptions for change in salaries and the discount rate on defined benefit obligations is as follows:

	<u>2025</u>		<u>2024</u>	
	<u>1% increase</u>	<u>1% decrease</u>	<u>1% increase</u>	<u>1% decrease</u>
Discount rate	<u>(1,292,341)</u>	<u>1,496,995</u>	<u>(1,470,473)</u>	<u>1,722,961</u>
Future salary increases rate	<u>1,532,582</u>	<u>(1,347,741)</u>	<u>1,522,622</u>	<u>(1,803,812)</u>

**Maturity Profile**

<b>Years</b>	<b>Undiscounted payments</b>
Year 1	<b>1,250,151</b>
Year 2	<b>953,415</b>
Year 3	<b>953,558</b>
Year 4	<b>1,042,738</b>
Year 5	<b>960,713</b>
Year 6 to Year 10	<b>5,324,172</b>
Year 11 & above	<b>16,078,080</b>

The sensitivity analysis above has been undertaken based on a method that extrapolates the impact on the employees' defined benefit obligations as a result of reasonable changes in key assumptions occurred at the end of the reporting date. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the employees' end-of-service benefits as it is unlikely that changes in assumptions would occur in isolation of one another.

**Al-Andalus Property Company** (Saudi Joint Stock Company)**Notes To the Consolidated Financial Statements** (continued)

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(All amounts are expressed in Saudi Riyal (ﷲ) unless otherwise stated)

**17. ISLAMIC FINANCE FACILITIES**

	2025	2024
Balance at the beginning of the year	<b>853,400,649</b>	803,809,841
Additions during the year	<b>27,293,750</b>	54,000,000
Additions of finance cost during the year	<b>58,793,571</b>	54,789,689
Payments during the year	<b>(59,418,880)</b>	(59,198,881)
Balance at the end of the year	<b>880,069,090</b>	853,400,649
Non-current	<b>863,280,330</b>	839,034,552
Current	<b>16,788,760</b>	14,366,097

During 2019, the Group obtained an Islamic financing facility amounting to ﷲ 650 million from local bank. The facility agreement included adherence to specific financial covenants for the local bank. The Group pledged the properties (Al-Andalus Mall and Hotel) in favor of a fully owned subsidiary of the local bank, as a guarantee against the financing. The tenor of the Islamic financing facility is 15 years. The Islamic financing facility provides a 5-year grace period during which only profit payments must be made. Following the grace period, the principal amount shall be repaid over 10 years on a quarterly basis. Further, an amendment to the Islamic financing agreement was signed and the type of facility was changed from Ijara to Murabaha. During the year, the tenure of the financing was revised and the outstanding financing balance became payable in July 2029. Accordingly, the financing balance was disclosed as non-current. The facility limit was increased to ﷲ 760 million instead of ﷲ 650 million. An additional amount of ﷲ 27.29 million (2024: ﷲ 54 million) was utilized during the period ended 31 December 2025.

During 2023, the Group obtained an Islamic finance facility from the local bank to finance the acquisition transaction of Yassmin Al-Andalus Tower in Al-Yasmeen district, Riyadh city. The term of the facility is 7 years, and payments must be made after one year from the date of withdrawal in the form of incremental annual installments for a period of 7 years, with the last installment due on the date of termination. The Group pledged Yassmin Al-Andalus Tower having a carrying value of ﷲ 194.2 million (2024: ﷲ 198.5 million) as at reporting date, classified within investment properties to the local bank as a guarantee against the financing. The Group also approved to waive the rental returns and transfer them directly to the Group account at the local bank.

The financing is subject to commission rates based on SAIBOR plus an agreed commission rate. The increase in the finance cost is attributable to the increase in the interest rates accrued during the period. The above facility agreements contain covenants, which among other things, require certain financial ratios to be maintained, otherwise the loan will be repayable on demand, and these loan covenants needs to be complied based on the separate financial statements of the parent company and subsidiary.

The Islamic finance facilities agreements contain financial covenants that should be maintained at certain thresholds, the Group monitor the compliance of the loan covenants and reconcile with the lending bank on timely basis in case of breach.

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**18. ACCRUALS AND OTHER PAYABLES**

	2025	2024
Accrued expenses	16,700,574	23,345,727
Accrued employees' salaries and benefits	1,567,568	1,186,589
Supplier, contractors, and retention payable	7,409,684	2,752,818
Other payables	2,205,235	2,190,947
	<u>27,883,061</u>	<u>29,476,081</u>

**19. COST OF REVENUE**

	2025	2024
Employees' salaries and other benefits	13,280,904	14,995,375
Depreciation and amortization	38,020,480	39,951,654
Services expenses	32,622,640	28,052,145
Repair and maintenance	4,857,600	4,776,245
Other	5,331,405	2,964,623
	<u>94,113,029</u>	<u>90,740,042</u>

**20. GENERAL AND ADMINISTRATIVE EXPENSES**

	2025	2024
Employees' salaries and other benefits	38,703,567	32,143,793
Depreciation of properties and equipment	913,912	574,139
Services expenses related to management fees (note 28)	16,736,708	15,677,973
Professional services	5,213,970	4,950,469
Others	5,946,134	3,950,712
	<u>67,514,291</u>	<u>57,297,086</u>

**21. OTHER INCOME**

	2025	2024
Reversal of provisions no longer required	-	2,704,392
Commission income - current accounts	2,901,226	3,544,055
Commission income - Murabaha deposits and funds	-	925,075
Other income	1,336,952	122,403
	<u>4,238,178</u>	<u>7,295,925</u>

**22. FINANCE COST**

	2025	2024
Interest expense on lease liabilities	7,920,033	13,456,287
Interest on Islamic Finance Loans	58,793,571	54,789,689
	<u>66,713,604</u>	<u>68,245,976</u>

**Al-Andalus Property Company** (Saudi Joint Stock Company)**Notes To the Consolidated Financial Statements** (continued)

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(All amounts are expressed in Saudi Riyal (ﷲ) unless otherwise stated)

**23. ZAKAT**

The Company and its subsidiaries submitted their Zakat returns separately based on the financial statements of each company. Therefore, Zakat base is identified and Zakat is calculated for the Company and its subsidiaries separately. The total estimated Zakat is presented in the Group's consolidated statement of income.

The Company filed all Zakat returns up to the year ended 31 December 2024 and obtained Zakat certificate up to the year 2024. The Company finalized Zakat assessment with ZATCA up to the year ended 31 December 2024.

Mawared Al-Tamayuz Real Estate Company has filed its zakat return up to 31 December 2024 and obtained Zakat certificate for 31 December 2024.

**Zakat base**

Zakat is calculated for the year ended 31 December using Zakat base as follows:

	2025	2024
<b>Net Zakat positive base (A)</b>		
Equity	972,368,500	1,037,680,160
Provisions	5,326,217	12,604,414
Lease liabilities	42,628,941	47,750,491
Islamic financing facilities	120,612,385	124,754,888
Net positive Zakat base	<u>1,140,936,043</u>	<u>1,222,789,953</u>
<b>Net Zakat negative base (B)</b>		
Net Assets	265,099,001	264,417,353
Investments in equity accounted investees and subsidiaries	819,078,692	886,742,512
Net Zakat negative base	<u>1,084,177,693</u>	<u>1,151,159,865</u>
Net zakat base	<u>56,758,350</u>	<u>71,630,088</u>
Adjusted net income	<u>(18,273,204)</u>	<u>(30,006,480)</u>
Zakat charged	<u>1,231,446</u>	<u>1,848,056</u>
Subsidiaries Zakat charge	<u>480,000</u>	<u>1,100,000</u>
Total	<u>1,711,446</u>	<u>2,948,056</u>

The movement in the provision for zakat is as follows:

	2025	2024
1 January	4,145,569	7,010,047
Provided during the year	1,711,446	2,948,056
Payments made during the year	(2,254,336)	(5,812,534)
Disposal of subsidiary	<u>(171,369)</u>	<u>-</u>
31 December	<u>3,431,310</u>	<u>4,145,569</u>

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**24. SEGMENT REPORT**

The Group's activities include a number of operating sectors as follows:

<u>The reportable sector</u>	<u>Activity</u>
Retail and operation sector	This includes rent for commercial units from investment properties such as malls and the operation of the mall.
Hospitality sector	This includes entities engaged in providing hospitality service (Al-Andalus Mall Hotel).
Office sector	This includes rent for commercial units from investment properties (Salama Tower, QBIC Plaza and Yassmin Al-Andalus Tower).

The Group reviews internal reports for each sector on a quarterly basis as a minimum.

The information related to each reportable sector is as follows: Net sector profit before zakat is used to measure performance as the Group's management believes that this information is the most relevant in assessing the results of the relevant sector compared to other companies operating in the same industry.

<u>As at the year ended 2025</u>	<u>Retail Sector</u>	<u>Hospitality sector</u>	<u>Office Sector</u>	<u>Unallocated</u>	<u>Total</u>
Revenue	160,163,198	15,331,011	61,582,775	-	237,076,984
Cost of revenue	(50,883,084)	(22,418,404)	(20,811,541)	-	(94,113,029)
Share of profit from equity accounted investees	-	-	-	(11,488,556)	(11,488,556)
Expenses	(72,108,004)	(299,915)	(45,990,760)	(19,268,442)	(137,667,121)
Gain on disposal of subsidiary	-	-	-	3,956,055	3,956,055
Other income	-	-	-	4,238,178	4,238,178
Impairment loss on property and equipment	-	(3,000,000)	-	-	(3,000,000)
Allowance for expected credit losses	(9,833,668)	-	-	-	(9,833,668)
Net income before Zakat	27,338,442	(10,387,308)	(5,219,526)	(22,562,765)	(10,831,157)
Total assets	727,571,415	147,270,268	732,800,770	548,253,929	2,155,896,382
Total liabilities	338,385,467	16,880,084	706,694,949	18,008,231	1,079,968,731

The Group's Executive Management, reviews the internal management reports of each division at least quarterly. Group revenue are generated from contracts with customers by providing commercial unit rental services and hospitality services. Control over commercial units rental services is transferred over time, while control over hospitality services is transferred at a point in time.

Information about geographic regions

All of the Group operating sectors operate within the borders of the Kingdom of Saudi Arabia.

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**24. SEGMENT REPORT** (continued)

<u>As at the year ended 2024</u>	<u>Retail sector</u>	<u>Hospitality sector</u>	<u>Office sector</u>	<u>Unallocated</u>	<u>Total</u>
Revenue	159,006,838	19,146,513	57,734,174	-	235,887,525
Cost of revenue	(53,088,177)	(20,949,732)	(16,702,133)	-	(90,740,042)
Share of profit from equity accounted investees	-	-	-	(33,907,930)	(33,907,930)
Expenses	(65,542,161)	-	(48,213,367)	(15,669,526)	(129,425,054)
Other income	-	-	-	7,295,925	7,295,925
Impairment loss on property and equipment	-	(8,000,000)	-	-	(8,000,000)
Allowance for expected credit losses	(1,438,310)	(462,308)	-	-	(1,900,618)
Net income before Zakat	<u>38,938,190</u>	<u>(10,265,527)</u>	<u>(7,181,326)</u>	<u>(42,281,531)</u>	<u>(20,790,194)</u>
Total assets	<u>720,911,961</u>	<u>125,363,510</u>	<u>680,571,257</u>	<u>734,019,996</u>	<u>2,260,866,724</u>
Total liabilities	<u>429,334,614</u>	<u>3,709,517</u>	<u>656,451,933</u>	<u>11,780,917</u>	<u>1,101,276,981</u>

**Al-Andalus Property Company (Saudi Joint Stock Company)****Notes To the Consolidated Financial Statements (continued)**

31 December 2025

(All amounts are expressed in Saudi Riyal (ﷲ) unless otherwise stated)

**25. LOSS PER SHARE – BASIC AND DILUTED**

Basic and diluted loss per share is calculated by dividing the loss for the year attributable to the shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the year.

	2025	2024
Net loss for the year	<u>(18,273,204)</u>	<u>(31,600,315)</u>
Weighted average number of outstanding ordinary shares (share)	<u>93,333,333</u>	<u>93,333,333</u>
Basic and diluted loss per share	<u>(0.20)</u>	<u>(0.34)</u>

The diluted loss per share are equal to the basic earnings per share for the year ended 31 December 2025 and 31 December 2024 as there are no instruments with reduced earnings per share.

**26. CASH AND BANK BALANCES**

	2025	2024
Cash at banks – current accounts*	<u>84,878,415</u>	<u>45,880,615</u>
	<u>84,878,415</u>	<u>45,880,615</u>

Cash at banks – current accounts include Shari’ah compliant special call accounts that yield commission income at agreed rates.

**27. SHORT-TERM MURABAHA DEPOSITS**

	2025	2024
Short-term Murabaha deposits	<u>-</u>	<u>40,343,803</u>
	<u>-</u>	<u>40,343,803</u>

Represents deposits with Alkhair Capital Fund with maturity of less than three months which was matured in the current year.

**28. RELATED PARTIES TRANSACTIONS**

For the purpose of these consolidated financial statements, parties are considered to be related to the Group, if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, and vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or entities. The transactions with related parties are made on terms approved by the Board of Directors of the Group. The Group and its related parties transact with each other in the ordinary course of business. The transactions and the balances between the Company and its subsidiaries and those between the subsidiaries have been eliminated in preparing these consolidated financial statements.

Details of transactions with related parties are as follows:

<u>Related party name</u>	<u>Relationship</u>	<u>Nature of transaction</u>	<u>31 December 2025</u>	<u>31 December 2024</u>
Hayat Real Estate Company	Associate	Expenses paid on behalf of associate	<u>8,787,422</u>	<u>10,937,393</u>
Al-Ahli Capital	Fund manager of the subsidiary	Operating Services	<u>16,736,708</u>	<u>15,677,973</u>

(All amounts are expressed in Saudi Riyal (ﷲ) unless otherwise stated)

**28. RELATED PARTIES TRANSACTIONS** (continued)

The details of balances with related parties are mentioned below:

	<u>2025</u>	<u>2024</u>
<b>Due from related parties</b>		
Hayat Real Estate Company	<u>2,780,481</u>	<u>5,127,082</u>
	<u>2,780,481</u>	<u>5,127,082</u>
<b>Due to related parties</b>		
Al-Ahli Capital	<u>16,770,459</u>	<u>16,335,472</u>
	<u>16,770,459</u>	<u>16,335,472</u>

The remunerations of the board of directors and key management personnel are as follow:

	<u>2025</u>	<u>2024</u>
Board of directors and its committees	<u>4,368,000</u>	<u>4,141,763</u>
End-of-services benefits	<u>3,441,453</u>	<u>1,039,541</u>
Salaries, remuneration and other benefits	<u>8,891,690</u>	<u>4,448,200</u>
	<u>16,701,143</u>	<u>9,629,504</u>

**29. DIVIDENDS DISTRIBUTED TO SHAREHOLDERS**

**31 December 2025**

On 23 March 2025, the Board of Directors decided pursuant to the authorization of the general assembly to distribute interim dividends of ﷲ 23.3 million (ﷲ 0.25 per share) and were paid on 29 April 2025. Also, the Board of Directors resolved on 10 August 2025, pursuant to the authorization of the general assembly to distribute interim dividends of ﷲ 23.3 million (ﷲ 0.25 per share) and were paid on 4 September 2025. The total dividends paid during the year amounted to ﷲ 46.6 million

**31 December 2024**

On 9 March 2024, the Board of Directors have resolved under the authorization of the General Assembly to distribute interim dividends of ﷲ 23.3 million (ﷲ 0.25 per share) and the dividends have been paid on 23 March 2024.

**30. FINANCIAL INSTRUMENTS-FAIR VALUE AND RISK MANAGEMENT**

The Group is subjected to various financial risks due to its activities including: Market risk (including currency risk, fair value and cash flows of interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

Senior management is responsible for the risk management. Financial instruments carried on the consolidated statement of financial position include cash and cash equivalents, investments, accounts receivable, due from/to related parties, prepayments and other current assets, Murabaha finance, trade payables and accrued expenses and other current liabilities. The particular recognition policy adopted are disclosed in the individual policy statements associated with each item. Financial asset and liability is offset and net amounts reported in the consolidated statement of financial position, when the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

**30. FINANCIAL INSTRUMENTS-FAIR VALUE AND RISK MANAGEMENT** (continued)

a) **Market risk**

Market risk is the risk that changes in market prices such as foreign exchange rates, profit 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

b) **Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to the change in foreign exchange rates. The Group's transactions are principally in Saudi Riyals and US Dollars. The Saudi Riyal is pegged to the US Dollar.

There are no significant risks of currency exchange rate change, and management closely and continuously monitors the exchange rate fluctuations.

c) **Interest Rate risk**

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows.

The Group's interest rate risks arise mainly from its loans and short-term deposits, which are at variable rate of interest and are not subject to re-pricing on a regular basis. Variable rate loans carry extra commission according to prevailing market rates and indicators on SAIBOR basis.

The following table demonstrates the effect on the income from reasonable possible changes in the commission rates related to variable interest rate loans, with all other items subject to change held constant. Commission rate risk has no direct impact on the Group's equity.

31 December 2025	<u>Statement of profit or loss</u>	
	<u>Increase 100 points</u>	<u>Decrease 100 Points</u>
<b>Loans with variable interest rate</b>	<b>(8,800,691)</b>	<b>8,800,691</b>
31 December 2024		
Loans with variable interest rate	(8,534,006)	8,534,006

d) **Credit risk**

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its trade receivables, cash and cash equivalent and due from related parties.

Outstanding tenants' receivables are regularly monitored. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset.

	2025	2024
Cash and cash equivalents	84,878,415	45,880,615
Operating lease receivables	59,628,700	90,773,651
Due from related parties	2,780,481	5,127,082
	<u>147,287,596</u>	<u>141,781,348</u>

**Al-Andalus Property Company** (Saudi Joint Stock Company)**Notes To the Consolidated Financial Statements** (continued)

31 December 2025

(All amounts are expressed in Saudi Riyal (ﷲ) unless otherwise stated)

**30. FINANCIAL INSTRUMENTS-FAIR VALUE AND RISK MANAGEMENT** (continued)**d) Credit risk** (continued)

Credit risks on receivables, bank balances and the due from related parties are limited on the following:

- Cash balances held with banks with sound credit ratings ranging from BBB- and above.
- Lease receivables are shown net of allowance for impairment of trade receivables and discounts.
- Financial position of related parties is stable.

Impairment losses in financial assets recognized in profit and loss represent the following:

	<u>2025</u>	<u>2024</u>
Impairment losses of lease receivables	<u>(9,833,668)</u>	<u>(1,900,618)</u>
	<u>(9,833,668)</u>	<u>(1,900,618)</u>

Operating lease receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and sector in which customers operate.

Loss rates are based on actual historic credit loss experience. These rates are multiplied by scalar factors to reflect differences between economic conditions during the year over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. Scalar factors are based on actual and forecast gross domestic product growth and unemployment rates.

The following table provides information about the exposure to credit risk and ECLs for accounts receivable from customers as at 31 December 2025 and 31 December 2024:

	<u>31 December 2025</u>		
	<u>Gross carrying amount</u>	<u>Weighted-average loss</u>	<u>Loss allowance %</u>
<b>Not past due</b>			
<b>0 - 30 days</b>	<b>8,448,770</b>	<b>844,877</b>	<b>10%</b>
<b>31 - 60 days</b>	<b>3,815,485</b>	<b>381,548</b>	<b>10%</b>
<b>61 - 90 days</b>	<b>1,320,176</b>	<b>147,781</b>	<b>11%</b>
<b>More than 90 days</b>	<b>46,044,269</b>	<b>24,863,906</b>	<b>51%</b>
	<u><b>59,628,700</b></u>	<u><b>26,238,112</b></u>	<u><b>44%</b></u>
	<u>31 December 2024</u>		
	<u>Gross carrying amount</u>	<u>Weighted-average loss</u>	<u>Loss allowance %</u>
Not past due			
0 - 30 days	12,713,893	1,329,513	10%
31 - 60 days	10,974,293	1,147,600	10%
61 - 90 days	2,469,573	258,247	10%
More than 90 days	64,615,892	25,846,357	40%
	<u>90,773,651</u>	<u>28,581,717</u>	<u>31%</u>

The outstanding balance of trade receivables is due from local customers in Kingdom of Saudi Arabia.

**30. FINANCIAL INSTRUMENTS-FAIR VALUE AND RISK MANAGEMENT** (continued)

**d) Credit Risk** (continued)

Due from related parties

An impairment analysis is performed at each reporting date on an individual basis for the major related parties. The maximum exposure to credit risk at the reporting date is the carrying value of the amounts due from related parties (note 28).

The Group does not hold collateral as a security. This assessment is undertaken each financial year through examining the financial position of the related parties and the market in which the related parties operates. The Group evaluates the risk with respect to due from related parties as low, since the vast majority of the related parties are fully owned by the same shareholders.

Financial instruments and cash deposits

Credit risk related to balances with banks and financial institutions is managed by treasury in accordance with the Group's policy. Cash is substantially placed with national banks with sound credit ratings. The Group does not consider itself exposed to a concentration of credit risk with respect to banks due to their strong financial background.

**e) Liquidity risk**

Liquidity risk is the risk that the entity 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 Group's objective is to maintain a balance between continuity of funding and flexibility using bank overdrafts and bank loans.

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

	Carrying amount	Undiscounted contractual payments			
		Total	On demand or less than 1 year	1-5 years	Over 5 years
<b>2025</b>					
Islamic finance facilities	880,069,090	1,050,158,256	63,236,667	986,921,589	-
Lease liabilities	78,566,986	161,040,942	13,247,750	70,250,622	77,542,570
Accruals and other payables	27,883,061	27,883,061	27,883,061	-	-
Due to related parties	16,770,459	16,770,459	16,770,459	-	-
	<b>1,003,289,596</b>	<b>1,255,852,718</b>	<b>121,137,937</b>	<b>1,057,172,211</b>	<b>77,542,570</b>
<b>2024</b>					
Islamic finance facilities	853,400,648	928,751,421	65,001,438	813,648,286	50,101,697
Lease liabilities	132,262,190	290,358,942	17,302,750	103,651,802	169,404,390
Accruals and other payables	29,476,082	29,476,082	29,476,082	-	-
Due to related parties	16,335,472	16,335,472	16,335,472	-	-
	<b>1,031,474,392</b>	<b>1,264,921,917</b>	<b>128,115,742</b>	<b>917,300,088</b>	<b>219,506,087</b>

### 31. FAIR VALUE

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 and at prevailing market conditions regardless if the price is directly identified or estimated using other valuation technique.

All assets and liabilities whether measured at fair value or their fair values are disclosed in the financial statements in accordance with the hierarchical levels of fair value measurements as stated below are classified into the lowest level of measuring input which is considered significant for measuring the fair value as a whole.

Level 1: Declared (unadjusted) and quoted market prices in active markets for identical assets or liabilities.

Level 2: Inputs that are directly or indirectly observable or tracked for an asset or a liability other than declared prices mentioned in level 1.

Level 3: Inputs that are unobservable or not tracked for an asset or a liability.

#### **Fair value of financial instruments**

The Group is exposed to risks as a result of using financial instruments. The following explains the Company's objectives, policies and operations to manage these risks and methods used to measure them in addition to quantitative information related to these risks in the accompanying financial statements.

There were no significant changes that may expose the Company to financial instrument risks through its objectives, policies and operations to manage these risks and methods used that are different from what have been used in prior years unless otherwise indicated.

There were no transfers between level 1, 2 or 3 during the reporting period.

### 32. CAPITAL MANAGEMENT

The Board's policy is to maintain an efficient capital base to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitors the return on utilized capital, which the Group defines as result from operating activities divided by total shareholders' equity. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Group's objectives when managing capital are:

1. To safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
2. To provide an adequate return to shareholders

There were no changes in the Group's approach to manage the share capital during the year.

The Group monitors the share capital on the basis of debt ratio. This ratio is calculated by dividing the net debt by the total equity. The Group's debt ratio at the end of the financial year is as follows:

	<u>2025</u>	<u>2024</u>
Total liabilities	<u>1,079,968,731</u>	<u>1,101,276,981</u>
Less: cash and cash equivalents	<u>(84,878,415)</u>	<u>(45,880,615)</u>
<b>Adjusted net debt</b>	<u><b>995,090,316</b></u>	<u>1,055,396,366</u>
<b>Total equity</b>	<u><b>1,074,657,723</b></u>	<u>1,159,589,743</u>
<b>Debt ratio</b>	<u><b>93%</b></u>	<u>91%</u>

**Al-Andalus Property Company** (Saudi Joint Stock Company)**Notes To the Consolidated Financial Statements** (continued)

31 December 2025

(All amounts are expressed in Saudi Riyal (ﷲ) unless otherwise stated)

**33. DISPOSAL OF SUBSIDIARY**

On 27 February 2025, the board of directors of the Group approved to sell the total interest owned (70%) in the subsidiary “Manafea Al-Andalus Company” and the contract has been signed between the Group and the buyer “Saudi Tourism Development Company” on 27 February 2025, for a total value of ﷲ 15 million, the parties agreed that the sales effective transaction date and the shares shall be sold based on the balances of subsidiary as at 1<sup>st</sup> January 2025. The deal has resulted in a gain of ﷲ 3.9 million.

	<b>As at 1 January 2025</b>
Consideration received	<b>15,000,000</b>
Net Value of net assets of subsidiary	<b>(11,043,945)</b>
<b>Net gain on disposal of subsidiary</b>	<b>3,956,055</b>
Net assets of subsidiary sold at the date of disposal	<b>15,777,065</b>
Less: Value of NCI at the date of disposal	<b>(4,733,120)</b>
Net Value of net assets of subsidiary	<b>11,043,945</b>

**Financial Information at the date of disposal for subsidiary as follows:**

	<b>As at 1 January 2025</b>
<b>Assets</b>	
Property and equipment	<b>334,621</b>
Investment properties	<b>59,038,731</b>
Receivables from operating lease	<b>3,118,819</b>
Prepayments and other receivables	<b>4,227,156</b>
Cash and cash equivalents	<b>2,767,994</b>
<b>Total assets</b>	<b>69,487,321</b>
<b>Liabilities</b>	
Lease liabilities	<b>50,967,487</b>
Advances from lessees and deferred revenue	<b>2,186,269</b>
Due to related parties	<b>17,857</b>
Accruals and other payables	<b>367,274</b>
Zakat provision	<b>171,369</b>
<b>Total liabilities</b>	<b>53,710,256</b>
<b>Net assets</b>	<b>15,777,065</b>

**Al-Andalus Property Company** (Saudi Joint Stock Company)**Notes To the Consolidated Financial Statements** (continued)

31 December 2025

(All amounts are expressed in Saudi Riyal (ﷲ) unless otherwise stated)

**33 DISPOSAL OF A SUBSIDIARY (continued)****Effect of disposal on the cash flow:**

Investment property	59,038,731
Receivables from operating lease	3,118,819
Prepayments and other receivables	4,227,156
Property and equipment	334,621
Due to related parties	(17,857)
Advance From lease	(2,186,269)
Accruals and other payables	(367,274)
Zakat payable	(171,369)
Obligation under operation lease	(50,967,487)
Profit from disposal	3,956,055
Non-controlling interest	(4,733,120)
Disposal of subsidiary	<u>12,232,006</u>
Consideration received	15,000,000
Cash and cash equivalent disposed	<u>(2,767,994)</u>
	<u>12,232,006</u>

**34. ACQUISITION OF MAWARED AL-TAMAYUZ REAL ESTATE COMPANY**

During the year ended 31 December 2024, the Group acquired 100% equity interest in Mawared Al-Tamayuz Real Estate Company ("Mawared") at a total consideration of SR 23,000,000.

Based on the assessment conducted by the management of the Group, the acquisition does not qualify as business combination in accordance with IFRS 3 – Business Combination. Therefore, the acquisition was treated as asset acquisition and the purchase consideration has been allocated to the identifiable acquired asset i.e., right-of-use assets (note 8).

**35. FINANCIAL COMMITMENTS AND CONTINGENCIES**

As at 31 December 2025, the Group has capital commitments of ﷲ 57 million against construction of commercial building (31 December 2024: Nil). As at 31 December 2025, there is no contingent liabilities (31 December 2024: Nil).

**36. SUBSEQUENT EVENTS**

The management believes that there are no significant subsequent events since the end of the year, which may require disclosure or adjustment in these consolidated financial statements.

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

These consolidated financial statements have been approved by the Board of Directors on 22 Ramadan 1447H (corresponding 11 March 2026G).