Saudi Real Estate Company and its Subsidiaries
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

Saudi Real Estate Company and its Subsidiaries
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

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Al Kharashi & Co.

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Saudi Real Estate Company
(A Saudi Joint Stock Company)
Riyadh – Kingdom of Saudi Arabia

Opinion

We have audited the consolidated financial statements of Saudi Real Estate Company (the "Company") and its subsidiaries (the "Group"), which comprise of the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to these consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the Code of Conduct and Ethics adopted in the Kingdom of Saudi Arabia. Also fulfilled the requirements of the conduct of other ethics in accordance with those rules. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matters

1-We draw attention to note (15-a) to the consolidated financial statements stated therein, certain land parcels owned by the Company are currently not available for use or development due to various reasons, of which certain reasons relate to the areas where these lands are located and other related to the fact that they are under study from specialised committees to resolve these matters. The management is currently communicating with the related government agencies and committees to address these reasons to allow the use of these lands. The impact on the net realisable value of these lands is still uncertain and depend on the final results of the study by the assigned committees. The carrying value of these lands amounted to SR 417 million as at 31 December 2022 (2021: SR 417 million).

2-We further draw attention to note (15-b) to the consolidated financial statements. As stated therein, it has come to management's attention that the land which was designated for the Al Widyan project is located within an area that is currently under study by the relevant government agencies with the aim of developing it, which may result into a fundamental change to the original project's plan and may impact the land's realisable value. The effect of the extent of this study remains uncertain and is dependent on future development by the relevant government agencies' plan. The carrying value of the land and capital work-in-progress amounted to SR 2,168 million, and SR 760 million respectively as at 31 December 2022 (2021: SR 2,168 million, and SR 756 million respectively).

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INDEPENDENT AUDITORS' REPORT (continued)

Other matter

The consolidated financial statements for the year ended on 31 December 2021 were audited by another auditor, who expressed an unmodified opinion dated on 30 March 2022 corresponding 27 Shaaban 1443H.

Key Audit Matter

The key audit matter is that matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current year. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not express a separate opinion on these. The following describes the key audit matter and how it should be addressed:

Key audit matter	How the matter was addressed in our audit
Investment Properties Evaluation: The book value of the group's investment properties amounted to 5,381.156 thousand Saudi riyals as of December 31, 2022, which represents 60% of the group's total assets. Investment properties are measured at cost after deducting accumulated depreciation and impairment, if any. For the purposes of testing impairment in the fair value and disclosing it in the consolidated financial statements of the Group, the Group conducts an annual evaluation to verify the extent to which there are indicators of impairment in the value of investment properties, and in the event that there are indications of impairment, the Group estimates the recoverable value by obtaining an estimate of the fair value from By accredited real estate appraisals independent of the group. This matter was considered as a key audit matter since the valuation of investment properties requires the use of significant assumptions and judgments that may lead to material errors in disclosing the impairment value of investment properties in the consolidated financial statements. Please refer to note No. (4) of the consolidated financial statements regarding the accounting policy related to investment properties and note No. (15) regarding related disclosures.	We have carried out the procedures set out below in connection with the valuation of investment properties: - Understanding and evaluating the accounting procedures and policies in relation to the decline in the value of investment properties. - Comparing the fair value of investment properties based on the real estate evaluator's report with the book balance of investment properties to check if there is a need to record a decrease in value. - Communicate with accredited and independent real estate appraisers to understand the appraisal method, approach used, assumptions and market indicators used by the real estate appraiser. - Evaluate the extent of objectivity and independence of the evaluation experts and their academic and professional qualifications, and ensure that the evaluation expert is accredited by the Saudi Authority for Accredited Valuers. - Review on a sample basis, to evaluate the investment properties executed by the valuer with the help of our specialists to ensure the reasonableness of the main assumptions that were used to determine the fair values of the investment properties. - Obtaining investment real estate ownership deeds and discussing their legal status with the administration and the internal legal department. - Ensuring that the consolidated financial statements include sufficient and appropriate disclosures of accounting policies and disclosure related to investment properties.

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INDEPENDENT AUDITORS' REPORT (continued)

Other information

The other information comprises the information included in the Group's 2022 Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information contained in its annual report.

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

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

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

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We are 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.

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INDEPENDENT AUDITORS' REPORT (continued)

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

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

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

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

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

For Al-Kharashi Co.

Abdallah El Misnad
License No. (456)

الخراشي وشركاه
محاسبون و مراجعون قانونيون
C.R.: 1010327044 :س.ت
Certified Accountants
& Auditors
AL-Kharashi Co.

Riyadh:
April 05, 2023
Ramadan 14, 1444

Saudi Real Estate Company and its Subsidiaries
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2022
(In Saudi Riyals Thousands, unless otherwise indicated)

	Notes	2022	2021
Continuing operations			
Revenue	7	**2,051,276**	1,028,841
Cost of revenue	8	**(1,595,162)**	(681,345)
Gross profit		**456,114**	347,496
General and administrative expenses	9	**(151,634)**	(173,798)
Selling and marketing expenses	10	**(44,742)**	(54,553)
Operating income		**259,738**	119,145
Financial charges	11	**(149,208)**	(77,153)
Impairment provision for prepayments and other receivables	20	-	(8,829)
Gain on disposal of investments designated at FVPL	18	-	354
Revaluation of investments designated at FVPL	18	**(1,017)**	1,288
Share of profit of an associate	17	**17,000**	11,573
Dividends income		-	6,730
Reversal provision of expected credit losses related to prepayments and other receivables due to collections of legal cases	20	-	50,000
Other income	12	**33,894**	9,185
Income before zakat		**163,407**	112,293
Zakat	36	**(18,166)**	(31,770)
Net Income for the year		**145,241**	80,523
Attributable to:			
Equity holders of the parent company		**110,359**	54,909
Non-controlling interests	27	**34,702**	25,614
		145,241	80,523
Earnings per share (SR):			
Basic and diluted earnings for the year attributable to equity holders of the parent company	13	**0.34**	0.23

Chief Financial Officer | Chief Executive Officer and Managing Director | Chairman, Board of Directors

The attached notes 1 to 43 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022
(In Saudi Riyals Thousands, unless otherwise indicated)

	Notes	**2022**	2021
Net income for the year		**145,241**	80,523
Other comprehensive income:			
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of zakat):			
Net change in fair value of investments in equity instruments designated at FVOCI	18	**(29,985)**	57,006
Share of other comprehensive income of an associate	16	**(6,222)**	22,998
Net other comprehensive (loss) / income to be reclassified to profit or loss in subsequent periods		**(36,207)**	80,004
Other comprehensive (loss) / income not to be reclassified to profit or loss in subsequent periods (net of zakat):			
Remeasurement (loss) / gain on defined benefit plan	30	**(212)**	1,686
Other comprehensive net (loss) / income that will not be reclassified to profit or loss in subsequent periods		**(212)**	1,686
Total other comprehensive (loss) / income for the year		**(36,419)**	81,690
Total comprehensive income for the year (net of zakat)		**108,822**	162,213
Attributable to:			
Equity holders of the parent company		**74,528**	136,891
Non-controlling interests	27	**34,294**	25,322
		108,822	162,213

Chief Financial Officer | Chief Executive Officer and Managing Director | Chairman, Board of Directors

The attached notes 1 to 43 form an integral part of these consolidated financial statements.

Saudi Real Estate Company and its Subsidiaries
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2022
(In Saudi Riyals Thousands, unless otherwise indicated)

	Notes	2022	2021
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	14	**19,535**	23,682
Investments properties	15	**5,381,156**	5,376,655
Intangible assets		**12,812**	16,573
Investment in an associate	17	**278,014**	277,235
Investments in equity instruments designated at FVOCI	19	**297,453**	327,438
Investments designated at FVPL	19	**-**	17,540
Right-of-use assets	31	**139,875**	71,766
Contract assets		**106,646**	13,363
Trade receivables - non-current	20	**22,171**	16,909
Developed properties - non-current	16	**922,470**	-
TOTAL NON-CURRENT ASSETS		**7,180,132**	6,141,161
CURRENT ASSETS			
Developed properties	16	**69,565**	554,405
Trade receivables	20	**154,990**	339,891
Prepayments and other receivables	21	**223,551**	277,315
Inventories		**54,114**	13,072
Cash and cash equivalents	22	**1,170,541**	454,797
TOTAL CURRENT ASSETS		**1,672,761**	1,639,480
TOTAL ASSETS		**8,852,893**	7,780,641
EQUITY AND LIABILITIES			
EQUITY			
Share capital	23	**3,750,000**	2,400,000
Statutory reserve	24	**720,000**	720,000
Contractual reserve	25	**10,051**	10,051
Share Premium		**222,700**	-
Accumulated losses		**(134,882)**	(245,421)
Other reserves	26	**39,846**	75,857
Equity attributable to equity holders of the parent company		**4,607,715**	2,960,487
Non-controlling interests	27	**85,563**	38,060
TOTAL EQUITY		**4,693,278**	2,998,547
NON-CURRENT LIABILITIES			
Term loans	28	**2,068,462**	387,918
Loan from Ministry of Finance	29	**1,058,657**	1,185,130
Employees' defined benefit obligations	30	**22,317**	21,900
Contracts liabilities		**109,664**	39,858
Lease liabilities	31	**133,169**	69,109
TOTAL NON-CURRENT LIABILITIES		**3,392,269**	1,703,915
CURRENT LIABILITIES			
Trade payables	32	**73,182**	71,295
Accruals and other liabilities	33	**348,713**	445,089
Unearned revenue	34	**134,888**	137,083
Term loans – current portion	28	**-**	2,208,087
Loan from Ministry of Finance – current portion	29	**130,698**	133,289
Lease liabilities - current portion	31	**5,852**	6,389
Zakat provision	36	**74,013**	76,947
TOTAL CURRENT LIABILITIES		**767,346**	3,078,179
TOTAL LIABILITIES		**4,159,615**	4,782,094
TOTAL EQUITY AND LIABILITIES		**8,852,893**	7,780,641

Chief Financial Officer | Chief Executive Officer and Managing Director | Chairman, Board of Directors

The attached notes 1 to 43 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

(In Saudi Riyals Thousands, unless otherwise indicated)

	Attrible to equity holders of the parent company								
	Share capital	*Statutory Reserve*	*Contractual Reserve*	*Share Premium*	*Accumulated losses*	*Other reserves*	*Total*	*Non-controlling Interests*	*Total equity*
As of 1 January 2021	2,400,000	720,000	10,051	-	(262,914)	(6,125)	2,861,012	(21,744)	2,839,268
Net income for the year	-	-	-	-	54,909	-	54,909	25,614	80,523
Other comprehensive income for the year	-	-	-	-	-	81,982	81,982	(292)	81,690
Total comprehensive income for the year	-	-	-	-	54,909	81,982	136,891	25,322	162,213
Subsidiaries' dividends paid	-	-	-	-	-	-	-	(8,000)	(8,000)
Other adjustments	-	-	-	-	-	-	-	7,754	7,754
Disposal of a subsidiary	-	-	-	-	-	-	-	1,612	1,612
Acquisition of minority interests	-	-	-	-	(37,416)	-	(37,416)	33,116	(4,300)
As of 31 December 2021	2,400,000	720,000	10,051	-	(245,421)	75,857	2,960,487	38,060	2,998,547
Net income for the year	-	-	-	-	**110,539**	-	**110,539**	**34,702**	**145,241**
Other comprehensive loss for the year	-	-	-	-	-	**(36,011)**	**(36,011)**	**(408)**	**(36,419)**
Total comprehensive income for the year	-	-	-	-	**110,539**	**(36,011)**	**74,528**	**34,294**	**108,822**
Subsidiaries' dividends paid	-	-	-	-	-	-	-	**(8,000)**	**(8,000)**
Other adjustments	-	-	-	-	-	-	-	**21,209**	**21,209**
Share capital increasing	**1,350,000**	-	-	**243,000**	-	-	**1,593,000**	-	**1,593,000**
Subscription expenses	-	-	-	**(20,300)**	-	-	**(20,300)**	-	**(20,300)**
As of 31 December 2022	**3,750,000**	**720,000**	**10,051**	**222,700**	**(134,882)**	**39,846**	**4,607,715**	**85,563**	**4,693,278**

Chief Financial Officer

Chief Executive Officer and Manging Director

Chairman, Board of Directors

The attached notes 1 to 43 form an integral part of these consolidated financial statements.

(In Saudi Riyals Thousands, unless otherwise indicated)

	Notes	2022	2021
OPERATING ACTIVITIES			
Income before zakat		**163,407**	112,293
Adjustments to reconcile income (loss) before zakat to net cash flows:			
Depreciation and impairment of property and equipment and investments properties		**74,483**	69,230
Amortisation of intangibles assets		**4,289**	3,750
Deprecation of right-of-use assets	31	**2,353**	1,380
Share in profit of an associate	17	**(17,000)**	(11,573)
Expected credit losses provision	20	**23,984**	33,806
Revaluation of investments designated as at FVPL	19	**1,017**	(1,642)
Gains from excluding a subsidiary		**-**	(3,619)
Impairment provision for prepayments and other receivables	20	**-**	8,829
Reversal provision of expected credit losses related to prepayments and other receivables due to collections of legal cases	21	**(17,532)**	(50,000)
Provision of employees' defined benefit obligations	30	**8,636**	6,074
		243,937	168,528
Working capital increase/decrease:			
Trade receivables		**155,655**	(244,308)
Prepayments and other receivables		**53,764**	(134,534)
Inventories		**(41,042)**	(7,248)
Trade payables		**1,887**	(20,969)
Accruals and other liabilities		**(96,376)**	225,919
Contract liabilities, net		**(23,477)**	26,495
Developed properties		**(437,630)**	206,824
Unearned revenue		**(2,195)**	28,746
Cash from operations		**(145,477)**	249,453
Employees' defined benefit obligations paid	30	**(8,731)**	(4,059)
Zakat paid	36	**(21,100)**	(11,431)
Net cash flows (used in) / from operating activities		**(175,308)**	233,963
INVESTING ACTIVITIES			
Additions to property and equipment	14	**(9,691)**	(6,456)
Proceeds from disposal of investments in equity instruments designated at FVOCI	19	**-**	10,404
Dividends received from an associate	17	**9,999**	9,999
Proceeds from sale of investments designated at FVPL	19	**16,523**	50,857
Additions to intangible assets		**(528)**	(8,922)
Additions to investments properties	15	**(70,219)**	(152,792)
Disposals and adjustments of investments properties, property and equipment, net	15	**52,827**	97,875
Net proceeds from disposal of a subsidiary, net of cash disposed		**-**	(236)
Net cash flows (used in) / from investing activities		**(1,089)**	729
FINANCING ACTIVITIES			
Collection of term loans and MOF loans		**382,680**	60,000
Paid of term loans and MOF loans		**(1,042,999)**	(351,846)
Non-controlling interest		**-**	(4,300)
Non-controlling interests' share of a subsidiary's dividends		**(8,000)**	(8,000)
Share capital increase		**1,593,000**	-
Subscription expenses		**(20,300)**	-
Lease liabilities paid	31	**(12,240)**	(504)
Net cash flows from / (used in) financing activities		**892,141**	(304,650)
Increase / (decrease) in cash and cash equivalents		**715,744**	(69,958)
Cash and cash equivalents at the beginning of the year		**454,797**	524,755
Cash and cash equivalents at the end of the year	22	**1,170,541**	454,797
Significant non-cash transactions:			
Additions to right of use assets		**70,462**	

Chief Financial Officer | Chief Executive Officer and Managing Director | Chairman, Board of Directors

(In Saudi Riyals Thousands, unless otherwise indicated)

1. CORPORATE INFORMATION

Saudi Real Estate Company (the "Company" or the "Parent Company") is a Saudi Joint Stock Company, whose shares are publicly traded on the Saudi Stock Exchange. The Company was established pursuant to Royal Decree number M/58 dated 17 Rajab 1396H (corresponding to 15 July 1976), registered in Riyadh, Kingdom of Saudi Arabia under commercial registration No. 1010012539 dated 17 Jumada al-Alkhirah 1397H (corresponding to 4 June 1977). The Company's head office address is Olaya Road, P.O. Box 3572, Riyadh 11481, Kingdom of Saudi Arabia. The Company's duration is 130 Gregorian years and it started from the date of issuing the commercial registration, it could always be extended by the unusual General Assembly resolution before the duration ends by one year.

The Company is engaged in ownership of land suitable for construction and development, construction of residential and commercial buildings, for the purpose of selling or leasing out and providing project management services, purchase, production, necessary materials and equipment for construction and all related works.

The major shareholder of the Company and its subsidiaries (the "Group") is the Public Investments Fund (PIF) which owns 64.57% of the Group's shares, while the remaining shares, which represent 35.43%, are owned by several shareholders with less than 5% ownership.

The Company has invested in the following subsidiaries which are included in these consolidated financial statements:

Name		*Country of incorporation*	*Principal activities*	*Year of incorporation*	*Ownership percentage (directly or indirectly)* 2022	2021
Saudi Real Estate Construction Company (SRECC)	i	Saudi Arabia	Constructions and maintenance	2016	**100%**	**60%**
Saudi Real Estate Infrastructure Company (SREIC)	ii	Saudi Arabia	Constructions and maintenance	2017	**60%**	**60%**
Saudi Korean Company for Maintenance and Properties Management (SAKOM)	iii	Saudi Arabia	Maintenance and operation	2017	**60%**	**60%**
Al Widyan Saudi Real State Company (WSREC)	iv	Saudi Arabia	Developing Al Widyan project	2018	**100%**	**100%**
Alinma Alakaria Real Estate Fund	v	Saudi Arabia	Development of real estate	2019	**100%**	**100%**
Hodood Real Estate Investment Company	vi	Saudi Arabia	Not commenced its activities	2022	**100%**	-

(i) Saudi Real Estate Construction Company is a closed joint stock company registered in the Kingdom of Saudi Arabia under commercial registration number 1010466367 dated 15 Rabi Al Awal 1438H (corresponding to 14 December 2016). The Company is engaged in buildings construction and maintenance, construction projects management, detailed engineering designing, purchasing materials and executing the projects, it manages under the license of the General Investment Authority No. 10206371070302 dated 6 Shawwal 1437H) corresponding to 11 July, 2016) .On February 28, 2021, the Group acquired an additional 40% stake in the Saudi Real Estate Development Company, increasing its ownership percentage to 100%.

(ii) Saudi Real Estate Infrastructure Company is a closed joint stock company registered in the Kingdom of Saudi Arabia under commercial registration number 1010469561 dated 6 Rajab 1438H (corresponding to 3 April 2017). The Company is engaged in road, bridge, and tunnel works, earthworks, and construction, extension, cleaning, maintenance and operation of water, sewerage and drainage networks. Also, construction, extension, and maintenance of distribution networks and stations for electrical power and gas, and telecommunication networks and communication towers, construction and maintenance of public parks and irrigation systems, and dam construction and maintenance and sale of prefabricated concrete.

(iii) Saudi Korean Company for Maintenance and Properties Management is a limited liability company registered in the Kingdom of Saudi Arabia under commercial registration number 1010612687 dated 11 Safar 1439H (corresponding to 31 October 2017). The Company is engaged in operation and maintenance of buildings in accordance with the license issued from the General Investment Authority number (10214381076997) dated 29 Shawwal 1438 (corresponding to 23 July 2017).

1. CORPORATE INFORMATION (continued)

(iv) Al Widyan Saudi Real Estate Company is a closed joint stock company owned by one person registered in the Kingdom of Saudi Arabia under commercial registration number 1010455071 dated 16 Thul-Qi'dah 1439H (corresponding to 29 July 2018). The Company is engaged in electricity work, gardens and parks maintenance, building construction, maintenance and operation of buildings, maintenance works, the operation of water and sanitation networks, the construction of roads, the construction of bridges, the construction of tunnels, the purchase, sale and lease of land and real estate, development and real estate investment activities, maintenance and operation of hospitals, medical centers and government and private clinics.

(v) Alinma Alakaria Real Estate Fund is private fund created by an agreement between Inma for Investment (the "Fund Manager") a subsidiary of Alinma Bank and investors ("unit holder") in the Fund according to Shariah standards and controls approved by the Shariah Board of the Fund Manager. The principle investment objective of the Fund is to provide investors with capital growth over the medium and long-term by investing primarily in the real estate and related sectors in the Kingdom of Saudi Arabia. The Fund has appointed Al Inma Bank to act as its custodian, administrator and registrar of the Fund. The Fund was established on 25 Jumada Al-Ula 1440H (corresponding to 31 January 2019) as per approval from the Capital Market Authority (CMA). The terms and conditions of the Fund were issued on 25 Jumada Al-Ula 1438H (corresponding to 31 January 2019). During 2020, the Group has signed an agreement to terminate and liquidate the Fund., during 2022 all its assets has been transferred Hodood Real Estate Investment Company. The Group's management is in the process of completing all the legal procedures for liquidating the Fund.

(vi) Hudood Real Estate Investment Company (sole owner limited liability Company wholly owned by the group) It was established during October 2022 under commercial registration number (101836057) dated on 24 October 2022 corresponding to 28 Rabi` al-Awwal 1444H, with a capital of 10 ,000 Saudi riyals, divided into 1,000 shares of equal value, and the value of each share is 10 Saudi riyals. Saudi Real Estate Company owns all the shares of the company with the aim of transferring the title deeds of the Real Estate Development Fund to Hudood Real Estate which is fully owned by Saudi Real Estate Company, the head office of the company is located in Riyadh.

2. BASIS OF PREPARATION

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

The consolidated financial statements have been prepared on a historical cost basis using the accrual basis and Going-concern concept, except for employees end of service benefits are recognized at the present value of future obligations using the Projected Unit Credit Method, investment in equity instruments designated at FVOCI and investments designated at FVPL that have been measured at fair value.

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

3. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries and are collectively referred as (the "Group") as stated in note (1).

Subsidiaries are entities controlled by the group. Control exists when the Group is exposed, 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.

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.

3. BASIS OF CONSOLIDATION (continued)

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.

Income or loss and each component of Other Comprehensive Income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in income or loss. Any investment retained is recognised at fair value.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Group's investments in its associate is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date.

The consolidated statement of income reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity.

The financial statements of the associate 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 whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount and its carrying value for associate and then recognises the loss within "Share of profit of an associate" in the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated statement of income.

Current versus non-current classification of assets and liabilities

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

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

All other assets are classified as non-current.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current versus non-current classification of assets and liabilities (continued)

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

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

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

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

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

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

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

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

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

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

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

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

- **Step 1**- Identify the contract with customers: define as an approved agreement between two parties that incurred committed to fulfilling the terms of the contract and each party's right regarding the goods/services to be transferred can be identified.
- **Step 2** – Identify the separate performance and obligations: define as a written promise with customers while customer can benefit from the goods/services; entity's promise to transfer goods/services is separately identifiable from other promises in the contract.
- **Step 3** – Determine the transaction price: is the amount that the company expects to obtain from customer in exchange for transferring goods/services. Unless payments collection on behalf of third parties

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

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

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

Regarding to the contracted contracts with customers the company uses percentage of completion method once distinct obligation is satisfied when:

A) The business simultaneously receiving, and consuming the benefits resulting from the company's performance;

B) The Group's performance generates create or improve assets that controlled by the customer while asset' creation or improvements;

C) The Group's performance of the obligation does not create an alternative use, and the company has an enforceable right to collect for performance completed up to date;

Regarding performance obligations where one of the three conditions above is not met, revenue is recognized when all conditions of the performance obligations are satisfied by the Group.

Revenue from Selling Properties Under Development

Sales of property under development are recognised over time. The Group evaluates contracts with customers to determine whether the performance obligation is satisfied over time or at a specific point in time. The Group has assessed that the performance obligation does not create an alternative use for the asset as it is contractually restricted from diverting properties under development to another use during its development based on revenue agreements with customers.

In addition, the Group has an enforceable right to receive payments for work completed to date and is entitled to receive at least an amount to compensate it for work completed to date, usually costs incurred plus a reasonable profit margin (by having enforceable rights to compensation for work completed to date in the event of a dispute and termination of the contract with the customer).

Revenue from Selling Ready-to-use Properties

The sale of completed properties constitutes an individual performance obligation which the Group has decided to be fulfilled at the time of transfer of control. For unconditional exchanges, this is generally when legal ownership passes to the customer. For a conditional exchange, it generally occurs when all significant conditions have been satisfied.

Revenue from Rental of Investment Properties

The Group is the lessor in operating leases. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of income due to its operating nature, except for contingent rental income which is recognised when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income.

Tenant lease incentives are recognised as a reduction of rental revenue on a straight-line basis over the term of the lease. 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.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Revenue Contracts
Revenue from fixed price contracts is recognised based on the percentage of completion method, which is determined using the proportion of costs incurred to date to the total costs for the completion of the contracts as estimated by the management. No profit is recognised on contract until the management believes the outcome of that contract can be assessed with reasonable certainty. In case of loss-making contract, full provision is made for estimated future losses. The value of work executed in excess of the amounts billed is included under current assets, net of provision for any losses incurred or foreseen in bringing contracts to completion, advances against work executed and progress billing received and receivable. Where progress amounts received, and receivable exceed the value of work executed the excess is included under current liabilities as billing in excess of the value of work executed.

Contract modifications, e.g. variation orders, are accounted for as part of the existing contract, with a cumulative catch up adjustment to revenue. For material contract modifications a separate contract may be recognised, based on management's assessment of the following factors:

- the scope of the contract increases because of the addition of promised goods or services that are distinct; and
- the price of the contract increases by an amount of consideration that reflects the company's stand-alone selling prices of the additional promised goods or services and any appropriate adjustments to that price to reflect the circumstances of the particular contract.

Contract Balances
Value of work executed in excess of billings (accrued infrastructure revenue)
Value of work executed in excess of billings is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, value of work executed in excess of billings is recognised for the earned consideration that is conditional.

Contracts Receivables
Receivables amounts constitute as an unconditional right for the group;(only stipulate over time before accrual payment compensation).

Work Claims in excess of work done (Unearned Revenue)
Claims raised more than the value of the work performed represent the obligation to transfer goods or services to the customer, if group has submitted invoices to the customer. Amounts receivable in excess of the value of the work performed are recognised as revenue when the Group performs its obligation under the contract.

Detained receivables
Detained receivables are a part of restricted amounts by customers based on contractually contracts, and it can be recovered either when completing some phases of the contract or at the end of the contract.

Advance from customers
Advance from customer represents the obligations to transfer goods/services to customers, for which compensation has been received by the Group or compensation is due (whichever is earlier) from the customer. If the customer pays the compensation before the company transfers the good/service to the customer, the contract obligations are recognized when the amount is paid or becomes due (whichever is earlier). Contract obligations are recognized as revenue when the group performs under the contract.

Dividends from Investments FVTOCI / FVPL
Regarding income from investments FVOCI and FVPL, Group has recognized gains from investment as income once dividends right is satisfied being approval or/ dividends cash received.

Revenue from Time Deposit
Income from fixed-term deposits is recognized as income based on the active yield on the deposit.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Service charges, management charges and other expenses recoverable from tenants
Income arising from expenses recharged to tenants is recognised in the period in which the compensation becomes receivable. Service and management charges and other such receipts are included in rental income gross of the related costs, as the directors consider that the Group acts as principal in this respect.

Dividends
Revenue is recognised when the Group's right to receive the payment is established (If it is probable that the economic benefits will flow to the group, and revenues can be measured reliably).

Interest income
For all financial instruments measured at amortised cost and interest-bearing financial assets classified as Investment in equity instruments designated at FVOCI and investments designated at FVPL, interest income is recorded using the effective interest rate (EIR) method. The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the consolidated statement of income.

Expenditures Analysis
During preparing the financial statements the Group provides expenditures analysis list of each account that has reliable information and more relevance, wherefore classification depends on a function of expense inside the group.

Cost of Revenue
Investments properties depreciation and other direct costs classify as cost of revenues.

General and Administrative Expenses
General and administrative expenses include direct and indirect costs that are not specifically part of cost of revenue or the selling, and marketing activities of the Group.

Selling and Marketing Expenses
Selling and marketing expenses comprise of all costs for selling and marketing the Group's products and include expenses for advertising, marketing fees and other sales related expenses.

Zakat and Tax
Zakat is provided for the Company and its subsidiaries in accordance with Zakat, Tax and Customs Authority (the "ZATCA") in the Kingdom of Saudi Arabia, and the provision is charged to the consolidated statement of income. Differences, if any, arising from the final assessment shall be settled during the period in which such assessment are issued.

The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under ZATCA regulations.

Real-Estate Tax
Real-Estate tax is incurred when purchasing properties while ownership has been transferred and is not recoverable from the Zakat, Tax and Customs Authority. Real estate transfer tax is recognised as part of the cost of acquisition of real estate assets, as appropriate.

Value-Added Tax
Revenues, expenses, and assets are recognized in net of value added tax, except in the following cases:

- If the value-added tax is due on the acquisition of assets or services that are not recovered from the Zakat, tax, and custom authority, in this case VAT is recognized as part of the cost of purchasing assets or part of the expense item.
- Trade receivables and payables are including VAT amounts.

Net VAT account which is recoverable from/to Zakat, tax, and custom authority is shown in the other receivables or payables within the consolidation financial position.

Withholding Tax
The Group's companies deduct WHT based on the financial transactions with the non-resident parties in accordance with the regulations of the Zakat, Tax and Customs Authority, which is not recognised as an expense to be consideration for obligations on behalf of the opposite party.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments properties

Investments Properties are initially measured at cost. The fair value is determined on the basis of an annual valuation by an independent external valuer with recognized professional qualifications.

Capital work-in-progress are stated at cost, net of accumulated impairment losses, if any. Investments properties are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the investments properties and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of investments properties are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the investments properties as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in income or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

- Buildings 50 years
- Furniture and decorations 5 years

An item of investments properties and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income when the asset is derecognised. The residual values, useful lives and methods of depreciation of investments properties are reviewed at each financial year end and adjusted prospectively, if appropriate.

Developed properties

Properties that are being constructed or is during construction and development for the purpose of sale is classified as developed properties within current assets and is stated at cost or net realizable value, whichever is lower. The cost of developed properties generally includes the cost of land, construction and other capitalised costs related to preparing the properties for sale.

Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in income or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Land and constructions in progress are not depreciated. Borrowing costs relating to qualified assets are capitalized as part of the cost of the qualifying asset. Depreciation expense for PPEs is calculated after deducting estimated residual values to allocate the cost of the assets on a straight-line basis over their estimated useful lives. The residual values and useful lives of assets are reviewed at the end of each financial year and adjusted where appropriate. If the carrying amount of an asset exceeds its estimated recoverable amount, the asset is written down immediately to its recoverable amount. Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount of the assets disposed of.

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

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

- Buildings 50 years
- Machinery and equipment 5 years
- Furniture and decorations 5 years
- Computers 5 years
- Vehicles 4 years

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after zakat from discontinued operations in the consolidated statement of profit or loss

All other notes to the consolidated financial statements include amounts for continuing operations, unless indicated otherwise.

Foreign currency

The Group's consolidated financial statements are presented in Saudi Riyals, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of operation, the gain or loss that is reclassified to income or loss reflects the amount that arises from using this method.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rate at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in income or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is classified to the consolidated statement of income. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item (i.e., the translation differences on items whose fair value gain or loss is recognised in OCI, or the consolidated statement of income are also recognised in OCI or the consolidated statement of income, respectively).

In consolidating the financial statements, the assets, and liabilities of foreign operations currencies are translated into Saudi riyals at the exchange rate prevailing at the date of the consolidated financial statements and their income statements are translated at the exchange rates prevailing at the date of the transactions. Exchange differences arising on translation for consolidation purposes are recognised in other comprehensive income. On disposal of a foreign operation, the other comprehensive income relating to that foreign operation is included in the consolidated income statement.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

The Group assess whether a contract contains a lease, at inception of the contract. If it contains a right to control the use of an identified asset for a period in exchange for consideration. For the purposes of assessing whether a contract contains the right to control the use of an identified asset, group assesses whether:

- The contract involves the use of a specific asset, this may be specified explicitly or implicitly;
- The group is entitled to obtain substantially all the economic benefits from using the asset during the period;
- The group has the right to direct the use and operate the asset, or the group designs the asset in a way that predetermines how and for what purpose the asset will be used;

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

Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Group as a lessor
Leases in which substantially all the risks and rewards of ownership are not transferred from the Group to the lessee are classified as operating leases. The Group enters leases for its investment property portfolio. Management has determined that the Company retains substantially all the risks and rewards of ownership of the properties and therefore the leases are classified as operating leases based on an evaluation of the terms and conditions of the lease agreements. Lease income is recognised in the income statement on a straight-line basis over the lease term according to the terms of the leases.

Financial charges
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 consolidated statement of income in the period in which the expenditure is incurred.

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

The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income in the expense category that is consistent with the function of the intangible assets.

The Group amortizes the accounting system ERP with a finite useful life using the straight-line method over 5 years. As at the reporting date, some parts of the system are still under implementation phase and are not available for use.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of income when the asset is derecognised.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) financial assets

Classification of financial assets depends on the Group's business model for managing its financial assets and the contractual terms of the cash flows. The Group classifies its financial assets as:

- Financial assets measured at amortised cost; or
- Financial assets measured at fair value

Gains or losses of assets measured at fair value will be recognised either through the consolidated statement of income or through the consolidated statement of OCI.

Initial measurement

Financial assets are initially measured at their fair value plus transaction costs. Transaction costs of financial assets carried at fair value through income statement are recognised in the consolidated statement of income, when incurred.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows meet the requirements as solely payment of principal and interest.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

i) Financial assets (continued)

Subsequent measurement

Debt instruments

The Group recognises three classifications to subsequently measure its debt instruments:

- Amortised cost

Financial assets held for collection of contractual cash flows, where those cash flows represent Solely Payments of Principal and Interest ("SPPI"), are measured at amortised cost. A gain or loss on an investment in debt instruments subsequently measured at amortised cost, and not part of a hedging relationship, is recognised in the consolidated statement of income when the asset is de-recognised or impaired. Interest income from these financial assets is included in finance income using the Effective Interest Rate ("EIR") method.

- FVOCI

Financial assets held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses, which are recognised in the consolidated statement of income. When the financial asset is de-recognised, the cumulative gain or loss previously recognised in OCI, is reclassified from equity to the consolidated statement of income and recognised in other income/expense. Interest income from these financial assets is included in finance income using the EIR method. Foreign exchange gains and losses are presented in other income/expense.

- FVPL

Financial assets at fair value through profit or loss statement include financial assets held for trading, financial assets designated upon initial recognition at fair value through income statement, or financial assets mandatorily required to be measured at fair value. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through income statement, irrespective of the business model.

Financial assets at fair value through income statement are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of income. This category includes derivative instruments.

Equity instruments

The Group measures all investments in equity instruments at fair value and presents changes in fair value of investments in equity instruments in OCI. Dividends from such investments continue to be recognised in the consolidated statement of income as other income when the Group's right to receive payments is established. There shall be no subsequent reclassification of changes in fair value through the consolidated statement of income.

De-recognition

A financial asset or a part of a financial asset is de-recognised 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

i) Financial assets (continued)

Impairment

At each reporting date, the Group applies a three-stage approach to measuring expected credit losses ("ECL") on financial assets accounted for at amortized cost and FVOCI. Assets migrate through the following three stages based on the change in credit quality since initial recognition:

a) Stage 1: 12-Months ECL
For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognized.

b) Stage 2: Lifetime ECL - Not Credit Impaired
For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognized.

c) Stage 3: Lifetime ECL - Credit Impaired
Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL is recognized and interest revenue is calculated by applying the effective interest rate to the amortized cost (net of provision) rather than the gross carrying amount.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

For equity instruments measured at FVOCI, impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value and for debt instruments measured at FVOCI, impairment gains or losses are recognized in the consolidated statement of income and other comprehensive income.

For trade receivables only, the Group recognizes expected credit losses for trade receivables based on the simplified approach under IFRS 9. The simplified approach to the recognition of expected losses does not require the Group to track the changes in credit risk; rather, the Group recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable.

Objective evidence that financial assets are impaired may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in profit or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due to the Group under the contract, and the cash flows that the Group expects to receive. The Group assesses all information available, including past due status, credit ratings, the existence of third-party insurance, and forward looking macro-economic factors in the measurement of the expected credit losses associated with its assets carried at amortized cost.

The Group measures expected credit loss by considering the risk of default over the contract period and incorporates forward-looking information into its measurement.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified under either of the below two classes:

- Financial liabilities at FVPL; and
- Other financial liabilities measured at amortised cost using the EIR method.

The category of financial liability at FVPL has two sub-categories:

- Designated: A financial liability that is designated by the entity as a liability at FVPL upon initial recognition; and
- Held for trading: A financial liability classified as held for trading, such as an obligation for securities borrowed in a short sale, which have to be returned in the future. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

All financial liabilities are recognised initially when the Group becomes party to contractual provisions and obligations under the financial instrument. The liabilities are recorded at fair value, and in the case of loans and borrowings and payables, the proceeds received net of directly attributable transaction costs.

Subsequent measurement

Financial liabilities at FVPL continue to be recorded at fair value with changes being recorded in the consolidated statement of income.

For other financial liabilities, including loans and borrowings, after initial recognition, these are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in consolidated statement of income when the liabilities are de-recognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR method. The EIR amortisation is included as finance costs in the consolidated statement of income.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial period which are unpaid. They are recognised initially at their fair value and subsequently measured at amortised cost using the EIR method.

Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value adjusted for transaction costs that are directly attributable to the issuance of the guarantee. The fair value of financial guarantee is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligation.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

De-recognition

A financial liability is de-recognised when the obligation under the liability is settled or discharged. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of income.

Offsetting of financial instruments

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents
Cash and cash equivalents in the consolidated statement of financial position comprise of cash at banks and on hand, cash in funds and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.
For purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash at banks and on hand, cash in funds and short-term deposits, as defined above.

Inventory
Inventory is shown in the cost or NRV (which lower), cost determines on base of weighted-average method.
Cost consists of direct costs and related expenses. Net realizable value is the selling price at which inventory can be sold in the normal business cycle after allowing for selling costs.
Provision is made for obsolete, slow moving, and damaged inventories when necessary.

Tenant's Deposits
Tenant deposits are initially recognised at fair value and subsequently measured at amortised cost where material. Any difference between the initial fair value and the nominal amount is included as a component of operating lease income and recognised on a straight-line basis over the lease term.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) because of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.
The provision is recognised as a liability in the statement of the financial position and the amount of the provision is expensed. The Group measures a provision at the best estimate of the amount required to settle the obligation at the in the statement of the financial position date. The best estimate is the expenditure that the company could reasonably be expected to pay to settle the obligation at financial position date or to transfer it to a third party at that date.

If the effect of the time value of money is material, provisions are discounted using a current pre-zakat rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Accrual and other payables

Liabilities are recognised for amounts to be paid in the future for services and materials received, whether invoiced or not, provided that a reliable estimate of the amount of the liability can be made.

Employees' defined benefits obligations
The liability recognized in the consolidated statement of financial position in respect of the employees' defined benefits obligations, is the present value of the employees' defined benefits obligations at the end of the reporting period. The employees' defined benefits obligations is calculated annually by independent actuaries using the projected unit credit method.
Since the Kingdom of Saudi Arabia has no deep market in high-quality corporate bonds, the market rates of high-quality corporate bonds of the United States of America are used to present value the employees' end of service termination benefits obligation by discounting the estimated future cash outflows.

The net finance cost is calculated by applying the discount rate to the net balance of the employees' defined benefits obligations. This cost is included in employee benefit expense in the consolidated statement of income.
Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in the consolidated statement of comprehensive income. They are included in retained earnings in the consolidated statement of changes in equity and in the consolidated statement of financial position.

Changes in the present value of the employees' end of service termination benefits obligation resulting from plan amendments or curtailments are recognized immediately in the consolidated statement of income as past service costs.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

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

A) A member of top management in the company or; parent company; or
B) Has control or mutual control on the company; or
C) Has an important significant influence on the company's decision and direction.

Tops management of the company are those who have the power, planning responsibility, direct or indirect control of the company's business activity. Including any Manager even executives or no.

Group considers the related party with the company if the company:

A) The entity and the company are members of the same group or are owned by common shareholders; or
B) The entity is an associate or owned by common shareholder; or
C) The entity has control or mutual control on the company;

Earnings Per Share

Group determines basic earnings per share by dividing the profit or loss attributable to ordinary shares (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the year. The weighted average number of ordinary shares outstanding during the year is the number of ordinary shares outstanding at the beginning of the year, adjusted by the number of ordinary shares purchased or issued during the year multiplied by the time weight factor. The time weight is the number of days the shares are due as a proportion of the total number of days in the year; A reasonable approximation of the weighted average is sufficient in many circumstances.

Group calculates net profit per share is by dividing the return on profit for the equity of the shareholders of the parent company by the weighted average number of outstanding shares during the year in addition to the weighted average number of shares that will be issued upon conversion of all potential equity shares into equity shares.

Statutory Reserve

In accordance with Saudi Companies' Law, Group is required to transfer 10% of the net profit each year to the statutory reserve until the total reserve reaches 30% of the share capital. This reserve is not available for distribution to the shareholders of the company.

Cash dividends to stockholders

Group recognizes cash dividends to shareholders as liabilities upon approval of the distribution and that distribution is no longer dependent on the Group's desire. According to the Companies' Law in the Kingdom of Saudi Arabia, dividends are approved when they are approved by the shareholders or when the interim distributions are approved by the board of directors. The corresponding amount is recognized directly in equity.

Contingent Liabilities and Assets

Contingent assets are not recognized in the consolidated financial statements but are disclosed when it is probable that the economic benefits will be realized. Contingent liabilities are not recognized in the consolidated financial statements but are disclosed unless an outflow of economic benefits is remote.

Operation Segments

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

A) Participates in business activities that may guarantee revenues for him and incur expenses because of them.
B) Its operating results are continuously analysed by the operating decision-maker in order to take decisions related to resource allocation and performance evaluation. Group's management presents 4 operating segments in its consolidated lists in accordance with Note No. (6).
C) Which financial statements are available separately.

The geographical segment provides products or services within a specific economic environment that are exposed to risks and returns that differ from operating segments in other economic environments. Since the company operates exclusively in the Kingdom of Saudi Arabia, no geographical sectors are presented.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations

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

Amendments to IAS 1: Classification of Liabilities as Current or Non-current
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

• What is meant by a right to defer settlement
• That a right to defer must exist at the end of the reporting period
• That classification is unaffected by the likelihood that an entity will exercise its deferral right
• That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Definition of Accounting Estimates - Amendments to IAS 8
In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.
The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.
The amendments are not expected to have a material impact on the Company's financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.
The Company is currently assessing the impact of the amendments to determine the impact they will have on the Company's accounting policy disclosures.

5. USE OF ESTIMATES AND JUDGMENTS

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

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared.

Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Use of estimates and assumption
The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Following are the estimates and assumptions exposed to significant risks that could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities during the next fiscal year.

Going-concern Concept
Group's management has assessed its ability to continue as a going-concern and concluded that it has the necessary resources to continue its activities normally for the foreseeable future. In addition, Group's management is not aware of the existence of a material uncertainty that may cast doubt on the Group's ability to continue in business. Accordingly, the financial statements have been prepared on the going concern basis.

5. USE OF ESTIMATES AND JUDGMENTS (continued)

Allowance for expected credit losses
For accounts receivables, the Group applies the simplified approach. To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics and the days past due. Expected loss rates were derived from historical information of the Group and are adjusted to reflect the expected future outcome which also incorporates forward looking information for macroeconomic factors such as inflation and gross domestic product growth rate. Management periodically reviews these factors and checks them on a regular basis in an attempt to reduce differences between expected credit losses estimates and actual conditions that will occur in the future. The amount of expected credit losses is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecasts of economic conditions may not be an accurate representative of the likelihood of customers defaulting in the future.

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

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

Impairment of investment properties and equipment
Group obtains the services of independent accredited valuers to obtain fair value estimates of property, equipment and investment properties using recognized common valuation methods for the purpose of impairment review and fair value disclosure in the financial statements.

Classification of investments properties
Management exercises judgment when classifying real estate as property and equipment, investment property or development property. Management takes evidence standards in accordance with management's intention and effective plan and in accordance with relevant accounting standards.

Determining the lease term for contracts with renewal and termination options, Group as a lessee
Group determines lease contracts as a non-cancellable term in relation to the contract, with any periods including an option to extend the contract if the Group is certain to exercise an extension option, or any periods including an option to terminate the lease if management is certain, it will not exercise an option to terminate the contract reasonably.
Group's management as a lessee has signed several lease contracts that include extension and termination options. Management exercises judgment in assessing whether it is reasonably certain whether to exercise the option to renew or cancel the contract. Thus, the management considers all relevant factors that would create an economic incentive to exercise either the renewal or cancellation option. After the lease commencement date, management recalibrates the lease term if a significant event or change in circumstances occurs that is within its control and affects its ability to exercise or not exercise the option to renew or terminate (for example, constructing significant improvements to leasehold premises or allocating the important thing is according to the demand of the leased asset).

Impairment of the non-financial assets
Group assesses at each financial position date whether there are indications of impairment in the value of non-financial assets. Non-financial assets are tested for impairment when there are indications that the carrying values may not be recoverable. An impairment loss is recognized when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell or value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted based on spot price in an arm's length transaction, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use is calculated based on the discounted cash flow 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 CGU being tested for impairment. The recoverable amount is sensitive to the discount rate used in the discounted cash flow method as well as the expected future net cash inflows and the growth rate used in the projections.

5. USE OF ESTIMATES AND JUDGMENTS (continued)

Zakat
The Company and its subsidiaries are subject to zakat in accordance with Zakat, Tax and Customs Authority (the "ZATCA") in the Kingdom of Saudi Arabia, and the provision is charged to the consolidated statement of income. Additional zakat liabilities, if any, resulting from the final assessments raised by (the "ZATCA") for previous years are accounted for in the year in which these final assessments are issued.

Provisions
Provisions measure by their nature, depend on estimates and valuations of whether the recognition criteria have been met, including estimates of the likelihood of an outflow of cash. Management's estimates of litigation provisions, for example, are based on an estimate of the expected costs to be incurred considering legal advice and other information available to management at the date. As for provisions for employee termination benefits and exit costs, if any, they also involve management's judgment in estimating expected cash outflows for termination and site closure or other exit costs. Provisions for uncertain liabilities are based on management's best estimate of whether an outflow of cash is likely.

Employees' end-of-service benefits
The cost of employees' defined benefit obligation and other post-employment benefits are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Transactions price
Group determines the transactions price in respect of each of its contracts with customers. In doing so, it evaluates the effect of any variable consideration in the contract because of discounts or penalties, the existence of any significant financing component in the contract, and any non-monetary consideration in the contract. In determining the effect of a variable price, management uses the most likely amount method mentioned in IFRS 15 Revenue from Contracts with Customers so that the transaction price is determined by reference to the single most likely amount among a few possible prices.

Performance obligation fulfilment
The Group evaluates each of its contracts with customers to determine whether performance obligations have been satisfied over time or at a specific point in time to determine the appropriate method of recognizing revenue based on sales agreements with customers and related provisions, regulations, and laws. In the case of contracts concluded with customers for the sale of real estate, the management believes that the revenue must be recognized over a period if the real estate has no alternative use and that the Group has a valid right to receive the compensation upon the Group's completion of the obligations arising from it in the contract. Otherwise, revenue is recognized at a point in time. Management considers that the use of the input's method provides the best reference for the revenue earned. The inputs method requires revenue to be recognized based on the Group's efforts to satisfy the performance obligation. Management while applying the input method estimates the costs of completing projects to determine the amount of revenue to be recognized. Estimates of costs to complete projects include, among other items, the cost of construction, change orders, and the cost of fulfilling other contractual obligations to customers. Estimates of the costs of completing projects are checked at regular intervals. Any subsequent changes in the estimated cost to complete may affect the results of subsequent periods.

Fair value measurement for financial instruments

When it is not possible to measure the fair values of the financial assets and financial liabilities recorded in the statement of financial position based on prices traded in active markets, then the fair value is determined using other appropriate valuation methods, including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, and where this is not feasible, a degree of judgment is required in determining fair value. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility risk. Changes in assumptions about these factors could affect the fair value of financial instruments. Contingent consideration, arising in a business combination, is assessed at fair value at the acquisition date as part of the business combination. When the price meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date. The fair value determination is based on discounted cash flows. Key assumptions consider the probability of meeting each performance objective and the discount factor.

(In Saudi Riyals Thousands, unless otherwise indicated)

5. USE OF ESTIMATES AND JUDGMENTS (continued)

Derivative financial instrument fair value measurement
When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities may be available at the measurement date.
- Level 2 – inputs other than quoted prices included in level 1 that are observable for the assets or liabilities either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - inputs for assets or liability that are not based on observable market data (unobservable input)

6. SEGMENT INFORMATION

For management purposes, the Group consists of business units based on its products and services and has four reportable segments, as follows:

A. Residential sector

B. Commercial sector

C. Service sector

D. Head office

Segment performance is evaluated based on income or loss and is measured consistently with income or loss in the consolidated financial statements. However, the Group's financing (including finance costs) are managed on a Group basis and are not allocated to operating and revenue segments.

The activities of the Group and its subsidiaries are primarily conducted in the Kingdom of Saudi Arabia.

Below is a breakdown of the segment information:

As at 31 December 2022	Residential	Commercial	Service	Head office	Total
Revenue	673,132	523,575	854,569	-	2,051,276
Cost of revenue	(523,457)	(407,155)	(664,550)	-	(1,595,162)
Gross profit	149,675	116,420	190,019	-	456,114
General and administrative expenses	-	-	-	(151,634)	(151,634)
Selling and marketing expenses	-	-	-	(44,742)	(44,742)
Financial charges	-	-	-	(149,208)	(149,208)
Dividends income	-	-	-	(1,017)	(1,017)
Reversal provision of expected credit losses related to prepayments and other receivables due to collections of legal cases	-	-	-	17,000	17,000
Other income	-	-	-	36,894	36,894
Segment profit / (loss) before zakat	149,675	116,420	190,019	(292,707)	163,407
Total assets	2,413,903	5,441,269	540,560	457,161	8,852,893
Total liabilities	265,399	249,846	17,856	3,626,514	4,159,615

(In Saudi Riyals Thousands, unless otherwise indicated)

6. SEGMENT INFORMATION (continued)

As at 31 December 2021	Residential	Commercial	Service	Head office	Total
Revenue	337,617	262,605	428,619	-	1,028,841
Cost of revenue	(265,652)	(87,427)	(328,266)	-	(681,345)
Gross profit	71,965	175,178	100,353	-	347,496
General and administrative expenses	-	-	-	(173,798)	(173,798)
Selling and marketing expenses	-	-	-	(54,553)	(54,553)
Financial charges	-	-	-	(77,153)	(77,153)
Impairment provision for prepayments and other receivables	-	-	-	(8,829)	(8,829)
Gain on disposal of investments designated at FVPL	-	-	-	354	354
Gain on revaluation of investments designated at FVPL	-	-	-	1,288	1,288
Share of profit of an associate	-	-	-	11,573	11,573
Dividends income	-	-	-	6,730	6,730
Reversal provision of expected credit losses related to prepayments and other receivables due to collections of legal cases	-	-	-	50,000	50,000
Other income	-	-	-	9,185	9,185
Segment profit (loss) before zakat	71,965	175,178	100,353	(235,203)	112,293
Total assets	2,122,770	4,785,015	475,365	397,491	7,780,641
Total liabilities	305,255	287,367	20,537	4,168,935	4,782,094

7. REVENUE

	For the year ended 2022	2021
Infrastructure projects revenue	**531,167**	400,322
Rental revenues (note 34)	**289,619**	263,417
Revenue from sold units	**541,577**	198,854
Revenue from sold lands	**539,372**	137,400
Facility management	**37,195**	25,210
Construction projects revenue	**112,346**	3,638
	2,051,276	1,028,841

(In Saudi Riyals Thousands, unless otherwise indicated)

8. COST OF REVENUE

	For the year ended	
	2022	2021
Cost of sold units (note 16)	**527,195**	206,824
Sub-contract	**189,122**	124,838
Employees' salaries, wages, and other related benefits	**145,238**	117,223
Materials cost	**147,679**	102,858
Depreciation	**73,693**	58,760
Maintenance expenses	**27,176**	26,389
Cost of sold lands	**389,928**	15,483
Others	**95,131**	28,970
	1,595,162	681,345

9. GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended	
	2022	2021
Employees' salaries, wages, and other related benefits	**102,782**	104,029
Professional, consulting, and governmental fees	**15,674**	28,944
IT expenses	**1,210**	9,438
Attendance allowance and committee's remuneration (note 35)	**7,225**	7,600
Depreciation	**3,143**	4,619
Amortization of intangible assets	**4,210**	3,750
Others	**17,390**	15,418
	151,634	173,798

10. SELLING AND MARKETING EXPENSES

	For the year ended	
	2022	2021
Expected credit losses (note 20)	**23,984**	33,806
Employees' salaries, wages, and other related benefits	**2,185**	7,434
Promotions and advertisement	**17,434**	8,436
Others	**1,139**	2,748
Sales commission	**-**	2,129
	44,742	54,553

11. FINANCIAL CHARGES

	For the year ended	
	2022	2021
Bank loans	**143,907**	72,181
Finance cost on lease liabilities (note 31)	**5,301**	4,972
	149,208	77,153

(In Saudi Riyals Thousands, unless otherwise indicated)

12. OTHER INCOME

	For the year ended	
	2022	2021
Finance income	**15,467**	421
Other estate revenue	**69**	234
Subsidiaries' dividends	**3,939**	-
Gain on sale of a subsidiary (note 22)	**-**	3,619
Others	**17,419**	4,911
	36,894	9,185

13. EARNING PER SHARE

Basic and diluted loss per share is calculated by dividing the loss for the year attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares outstanding during the year.

The following table reflects the income and share data used in the basic and diluted loss per share computations:

	2022	2021
Income attributable to:		
Equity holders of the Parent Company	**110,539**	54,909
	110,539	54,909
Weighted average number of ordinary shares (share)	**323,219**	240,000
Basic and diluted Income per share (SR)	**0.34**	0.23

(In Saudi Riyals Thousands, unless otherwise indicated)

14. PROPERTY AND EQUIPMENT

	Buildings	*Machinery & equipment*	*Furniture & decorations*	*Computers*	*Vehicles*	*Capital work-in-progress*	*Total*
Cost:							
At 1 January 2021	**10,490**	**102,011**	**16,325**	**12,084**	**8,459**	-	**149,369**
Additions	2,193	2,413	200	1,529	-	121	6,456
Disposals	(967)	(130)	(140)	(68)	-	-	(1,305)
At 31 December 2021	**11,716**	**104,294**	**16,385**	**13,545**	**8,459**	**121**	**154,520**
Additions	-	3,100	104	1,426	4,261	800	9,691
Disposals	-	(2,090)	-	(108)	(384)	-	(2,582)
At 31 December 2022	**11,716**	**105,304**	**16,489**	**14,863**	**12,336**	**921**	**161,629**
Depreciation:							
At 1 January 2021	**8,005**	**77,008**	**13,458**	**8,615**	**7,205**	-	**130,838**
Charge for the year	1,788	11,157	1,618	1,633	1,115	-	17,311
Disposal	(585)	(11)	(105)	(63)	-	-	(764)
At 31 December 2021	**9,208**	**88,154**	**14,971**	**10,185**	**8,320**	-	**130,838**
Charge for the year	238	8,677	1,518	1,642	977	-	13,052
Disposal	-	(1,488)	-	(92)	(216)	-	(1,796)
At 31 December 2022	**9,446**	**95,343**	**16,489**	**11,735**	**9,081**	**-**	**142,094**
Net book value:							
At 31 December 2022	**2,270**	**9,961**	-	**3,128**	**3,255**	**921**	**19,535**
At 31 December 2021	2,508	16,140	1,414	3,360	139	121	23,682

(In Saudi Riyals Thousands, unless otherwise indicated)

15. INVESTMENTS PROPERTIES

	Lands	*Buildings*	*Fittings and decorations*	*Capital work-in-progress*	*Total*
Cost:					
At 1 January 2021	**3,414,872**	**1,493,538**	**676,335**	**1,469,284**	**7,054,029**
Additions	-	-	8,139	176,959	185,098
Disposals and adjustments	(15,483)	(190)	-	(12,528)	(28,201)
Transferred to developed properties	(15,613)	-	-	(806,777)	(822,390)
Transfers from capital work-in- progress	18,730	21,701	8,960	(49,391)	-
At 31 December 2021	**3,402,506**	**1,515,049**	**693,434**	**777,547**	**6,388,536**
Additions	-	336	4,223	65,660	70,219
Disposal and adjustments	(4,287)	-	-	-	(4,287)
At 31 December 2022	**3,398,219**	**1,515,385**	**697,657**	**843,207**	**6,454,468**
Depreciation:					
At 1 January 2021	20,400	581,942	342,388	76,393	1,021,123
Charge for the year	-	29,854	22,065	-	51,919
Transferred to developed properties	-	-	-	(61,161)	(61,161)
At 31 December 2021	**20,400**	**611,796**	**364,453**	**15,232**	**1,011,881**
Charge for the year	-	39,635	21,796	-	61,431
At 31 December 2022	**20,400**	**651,431**	**386,249**	**15,232**	**1,073,312**
Net book value:					
At 31 December 2022	**3,377,819**	**863,954**	**311,408**	**827,975**	**5,381,156**
At 31 December 2021	3,382,106	903,253	328,981	762,315	5,376,655

(In Saudi Riyals Thousands, unless otherwise indicated)

15. INVESTMENTS PROPERTIES (continued)

As set out in the significant accounting policies, the investment properties are stated at cost less accumulated depreciation. The fair value of properties amounted to SR 11.2 billion as at 31 December 2022 (31 December 2021: SR 9.5 billion) based on valuation performed by different valuers namely Century 21, and Abaad (independent valuers accredited by Saudi Authority for Accredited Valuers), who are specialist in valuing these types of investments properties.

Certain lands having carrying value of SR 2 billion (2021: SR 2 billion) are pledged against an Islamic loan from a local bank (note 28).

Investment properties include buildings with net book value amounting SR 581 million (2021: SR 622 million) constructed on a leased land from the High Commission for the Development of Al-Riyadh under two contracts for 99-years and 50-years beginning from 7 January 1993 and 6 July 2009, respectively, based on beneficial right, which will be transferred to the Authority at the end of the contract's period.

a) Lands not available for used

Certain land parcels owned by the Company are currently not available for use or development due to various reasons, of which certain reasons relate to the areas where these lands are located and other related to the fact that they are under study from specialised committees to resolve these matters. The management is currently communicating with the related government agencies and committees to address these reasons to allow the use of these lands. The impact on the net realisable value of these lands is still uncertain and depend on the results of the study by the assigned committees. The management believes that there will be no losses to be incurred related to this matter. The carrying value of these lands amounted to SR 417 million as at 31 December 2022 (2021: SR 417 million) while the fair value has exceeded SR 2.1 billion as at 31 December 2022 (2021: SR 1.8 billion) as per the above mentioned valuators.

b) Al Widyan project

During 2021, it came to management's attention that the land included in the Company's Al Widyan project is located within an area that is currently under study by the relevant government agencies with the aim of developing it, which may result into a fundamental change to the original project's plan and may impact the land's realisable value. The effect of the extent of this study remains uncertain and dependent on future developments by the relevant government agencies' plan. The management believes that there will be no losses to be incurred related to this matter. The carrying value of the related land and capital works-in-progress as at 31 December 2022 amounted to SR 2,168 million and SR 760 million respectively (2021: SR 2,168 and SR 756 million respectively) while the fair value has exceeded SR 4 billion as at 31 December 2022 (2021: SR 3.3 billion) as per the above mentioned valuators.

16. DEVELOPED PROPERTIES

The following is movement of developed properties and ready-to-sale for customers during the year ended December 31, 2022:

	For the year ended	
	2022	2021
Current portion	**69,565**	554,405
Non-current portion	**922,470**	
	992,035	554,405

The following table illustrates the summarised financial movements of developed properties:

	2022	2021
At the beginning of the year	**554,405**	-
Additions	**964,825**	761,229
Cost of sold unit	**(527,195)**	(206,824)
	992,035	554,405

(In Saudi Riyals Thousands, unless otherwise indicated)

17. INVESTMENT IN AN ASSOCIATE

As of 31 December 2022, and 31 December 2021, the Group owns 16.67% interest in Riyadh Holding Company, a limited liability company registered in the Kingdom of Saudi Arabia. The Group's interest in the associate is accounted for using the equity method in these consolidated financial statements, as the Group has significant influence on the associate.

The following table illustrates the summarised financial information of the Group's investment in Riyadh Holding Company:

	2022	2021
At the beginning of the year	**277,235**	252,663
Share of profits	**17,000**	11,573
Dividends received	**(9,999)**	(9,999)
Share of other comprehensive income	**(6,222)**	22,998
At the end of the year	**278,014**	277,235

Summarised statement of financial position of Riyadh Holding Company as following:

	2022	2021
Current assets	**284,296**	227,747
Non-current assets	**1,509,139**	1,537,630
Current liabilities	**(88,011)**	(58,433)
Non-current liabilities	**(37,674)**	(43,865)
Equity	**1,667,750**	1,663,079
Group's share in equity – 16.67%	**278,014**	277,235
Group's carrying amount of the investment	**278,014**	277,235

Summarised statement of comprehensive income of Riyadh Holding Company:

	2022	2021
Revenue	**160,505**	142,707
Cost of revenue	**(61,075)**	(60,882)
General and administrative expense	**(24,439)**	(13,813)
Other income	**26,989**	6,916
Profit before zakat	**101,980**	74,928
Zakat		(5,504)
Net profit for the year	**101,980**	69,424
Group's share of profit for the year - 16.67%	**17,000**	11,573
Other comprehensive income for the year	**(37,325)**	137,960
Group's share of other comprehensive income for the year - 16.67%	**(6,222)**	22,998

(In Saudi Riyals Thousands, unless otherwise indicated)

18. DEBT INSTRUMENTS AT AMORTISED COST

Debt instruments at amortised cost represents Sukuk of Al Bayan Holding Company amounting to SR 206.3 million (2021: SR 206.3 million). During 2018 the Group has recognized a provision for an impairment of the whole amount as the counter party defaulted on their obligations. During the year ended 31 December 2020, the Group has initiated legal proceedings to recover the amount.

19. INVESTMENTS IN EQUITY INSTRUMENTS

	2022	2021
Investments in equity instruments designated at FVOCI – unquoted equity shares (A)	**297,410**	327,400
Investments in equity instruments designated at FVOCI – quoted equity shares (B)	**43**	38
Total investments in equity instruments designated at FVOCI	**297,453**	327,438
Investments designated at FVPL – investment funds (C)	**-**	17,540
Total investments in equity instruments	**297,453**	344,978

A. Investment in equity instruments designated at FVOCI – unquoted equity shares:

	Ownership	**2022**	2021
Economic Knowledge City Developers	9.48%	**76,308**	127,099
Um Al Qura Company for Development and Reconstruction	0.84%	**96,340**	92,864
Dar Al Tamleek Company	9.18%	**60,686**	50,519
Kinan International Real Estate Development Company	2.11%	**48,398**	46,085
United Arabian Flat Glass Company	4.4%	**15,678**	10,833
		297,410	327,400

B. Investment in equity instruments designated at FVOCI – quoted equity shares:

	Ownership	**2022**	2021
Taiba Investment Company	0.001%	**43**	38
		43	38

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

	2022	2021
At the beginning of the year	**327,438**	281,636
Change in fair value of investments	**(29,985)**	57,006
Reclassification	**-**	(800)
Proceeds from disposals and reduction of share capital	**-**	(10,404)
At the end of the year	**297,453**	327,438

(In Saudi Riyals Thousands, unless otherwise indicated)

19. INVESTMENTS IN EQUITY INSTRUMENTS (continued)

C. Investments designated at FVPL – investment funds:

	2022	2021
Jadwa Investment Fund	-	17,540

The movement of investments designated at FVPL was as follows:

	2022	2021
At the beginning of the year	**17,540**	66,755
Changes in fair value of investments	**(1,017)**	1,288
Gain on disposal of investments designated at FVPL	-	354
Disposed during the year	**(16,523)**	(50,857)
At the end of the year	-	17,540

20. TRADE RECEIVABLES

	2022	2021
Trade receivables	**290,555**	453,065
Less: allowance for expected credit losses	**(113,394)**	(96,265)
Trade receivables, net	**177,161**	356,800

	2022	2021
Non-current trade receivables	**22,171**	16,909
current trade receivables	**154,990**	339,891
Trade receivables	**177,161**	356,800

Movement in the allowance for expected credit losses is as follows:

	2022	2021
At the beginning of the year	**96,265**	63,316
Allowance for expected credit losses (note 10)	**23,984**	33,806
Disposals	**(6,855)**	(857)
At the end of the year	**113,394**	96,265

As at 31 December, the analysis of receivables aging, and allowance for expected credit losses is set out below:

	Total	**1-90 days**	**91-180 days**	**181–270 days**	**271– 365days**	**> 365 days**
Trade receivables						
2022	**290,555**	**105,075**	**21,919**	**18,827**	**17,032**	**127,702**
2021	453,065	282,970	27,190	20,126	20,318	102,461
ECL						
2022	**113,394**	**6,208**	**7,947**	**8,485**	**11,146**	**79,608**
2021	96,265	11,749	6,040	6,000	8,422	64,054

(In Saudi Riyals Thousands, unless otherwise indicated)

21. PREPAYMENTS AND OTHER RECEIVABLES

	2022	2021
Advance payment to purchase a land	**24,501**	50,000
Advanced payments to suppliers	**39,938**	74,425
VAT receivables	**19,933**	28,009
Bank guarantees	**54,717**	91,797
Security deposits	**9,300**	-
Amount due from related parties	**45,767**	34,418
Accrued revenue	**22,868**	13,251
Prepaid expenses	**434**	4,680
Advances to employees	**14,921**	1,463
Others	**1,713**	7,345
	234,092	305,388
Less: impairment provision for prepayments and other receivables	**(10,541)**	(28,073)
	223,551	277,315

Movement in impairment provision for prepayments and other receivables is as follows:

	2022	2021
At the beginning of the year	**28,073**	69,465
Charge for the year	-	8,829
Reversal provision of expected credit losses related to prepayments and other receivables due to collections of legal cases (note 37)	**(17,532)**	(50,000)
Written-off during the year	-	(221)
	10,541	28,073

22. CASH AND CASH EQUIVALENTS

	2022	2021
Cash at banks and on hand (note a)	**361,940**	454,797
Short-term deposit (note b)	**808,601**	-
	1,170,541	454,797

a. The Company is required to maintain certain deposits/balances amounting to SR 115.9 million (2021: SR 126.4 million) with banks for advances received from customers against sale of development properties which are deposited into escrow accounts. These deposits/balances are not under lien.

b. As at 31 December 2022 Short-term deposit represents time deposit with a local bank with original maturities of less than three months.

23. SHARE CAPITAL

The Company's share capital amounting to SR 3,750 million as at 31 December 2022 is divided into 375 million shares (31 December 2021: 240 million shares) of SR 10 each. During the year ending on December 31, 2021, the company's capital shares were offered at $1.6 billion, and shares were offered, the company's capital, 11.8 riyals, the value of a share, in addition to this product that is to be produced from the type of capital 2, 43 million Saudi riyals and subscription expenses of 20.3 million Saudi riyals.

On May 18, 2022, the approval of the capital increase was approved by the Ordinary General Assembly, and the company completed the offering procedures by collecting the entire capital increase, the new procedures, the legal procedures, to increase the capital, and the commercial registry.

(In Saudi Riyals Thousands, unless otherwise indicated)

24. STATUTORY RESERVE

In accordance with the Company's by-law, the Company must transfer 10% of its net income in each year until this reserve is amounted to 30% of the capital. No such transfer has been made to the statutory reserve during the current and prior year due to the accumulated losses.

25. CONTRACTUAL RESERVE

In accordance with the Company's By-Laws, the Ordinary General Assembly decides the need to form a contractual reserve and defines its purposes. No transfer was requested during this year by the Ordinary General Assembly.

26. OTHER RESERVES

	2022	2021
Investments in equity instruments	36,443	72,650
Actuarial gains on employees' defined benefit obligations	3,403	3,207
	39,846	75,857

27. NON-CONTROLLING INTERESTS

	Saudi Real Estate Infrastructure Company	Saudi Korean Company for Maintenance and Properties Management	Total
Ownership Percentage	40%	40%	
Non-Current Assets	33,213	1,271	34,484
Current Assets	400,180	29,005	429,185
Non-Current Liabilities	(6,274)	(5,234)	(11,508)
Current Liabilities	(6,274)	(18,241)	(238,253)
Net Assets	207,107	6,801	213,908
Net assets attributable to non-controlling interest	82,843	2,720	85,563
Revenues	531,545	74,318	605,863
Net income for the year	92,230	(5,474)	86,756
Net loss attributable to non-controlling interests	36,892	(2,190)	34,702

(In Saudi Riyals Thousands, unless otherwise indicated)

28. TERM `

During 2016 the Group obtained Islamic long-term loan from a local bank amounting to SR 2.12 billion and was repayable one time at the end of the agreement period in May 2019.

During March 2020 the Company has rescheduled the loan under which the loan is repayable in an instalment of SR 450 million due in May 2020 and remainder of the loan amounting to SR 1.6 billion will be repayable in equal annual instalments in five years after a grace period of two years. The first instalment was due in November 2021 and the last instalment is due in May 2026.

In June 2022, the Company rescheduled the loan for the second time, provided that the loan principal amounting to 2.068 billion Saudi riyals will be repaid in equal semi-annual instalments over eight years after a four-year grace period from the date of the rescheduling agreement, so that the first instalment will be paid on December 2026 and the last instalment is paid on December 2033, provided that the loan is subject to prevailing commission rates among Saudi banks (SIBOR) plus an agreed profit margin, and the company has mortgaged a piece of land in exchange for the long-term loan granted to it.

During the year ending on December 31, 2022, the company obtained an additional loan from a local bank amounting to SR 383 million and paid it in full during the current year, in addition to paying the entire amount of SR 527 million in exchange for a third loan it had obtained during the year 2018, and thus there are no obligations remaining except for the first loan, which was rescheduled.

The following is a summary of the movement of bank loans during the year ending in 31 Dec:

	2022	2021
At the beginning of the year	**2,596,005**	2,810,949
Addition during the year	**382,680**	60,000
Finance cost	**-**	61,329
Paid during the year	**(910,223)**	(336,273)
At the end of the year	**2,068,462**	2,596,005

Term bank loans has been classified within the current and non-current liabilities according to the loan repayment dates based on the agreements signed with the lending banks as follows:

	2022	2021
Non-current portion	**2,068,462**	387,918
Current portion	**-**	2,208,087
	2,068,462	2,596,005

(In Saudi Riyals Thousands, unless otherwise indicated)

29. LOAN FROM MINISTRY OF FINANCE

A – Loan from related party

	2022	2021
Non-current portion	-	-
Current portion	-	-
	-	-
Opening balance	-	1,301,636
Addition to the principal loan	-	-
Amortizing of transaction cost	-	-
Paid	-	-
Transferred to a loan from Ministry of Finance	-	(1,301,636)
	-	-

B - Loan from Ministry of Finance

	2021	2021
Non-current portion	**1,058,657**	1,185,130
Current portion	**130,698**	133,289
	1,189,355	1,318,419

During September 2015, the group signed a finance agreement with the Public Investment Fund (a major shareholder) amounting to SR 1.5 billion during 2015 for the purpose of financing the construction of real estate projects.

In May 2020 the Company rescheduled the loan under which the new facility amounts to SR 1.306 billion reducing the original facility by SR 194 million. The loan is now payable in 16 unequal semi-annual instalments, first instalment will be due on 1 January 2022 and the last instalment is due in July 2029. The loan is subject to prevailing interest rates between the Saudi banks (SAIBOR) plus a profit margin.

During 2021 the Group received a letter from the Public Investment Fund (a major shareholder) indicating that the loan would be transferred to the Ministry of Finance without any changes to the terms and conditions of the original loan agreement and the Saudi Real Estate Company agreed to transfer the loan to the Ministry of Finance in the Kingdom of Saudi Arabia.

The loan facility will be subject to financial and non-financial covenants from the date of the first instalment as the following:

- Debt-to-equity ratio.
- liquidity ratio.
- debt coverage ratio.
- mortgaged plots of land owned by the Saudi Real Estate Company in favour of the Ministry of Finance.
- During the year ending on 31 December 2022, the Company complied with all covenants in accordance with the terms of the loan.

The following is a summary of the movement of MOF loans during the year ending in 31 December:

	2022	2021
At the beginning of the year	**1,318,419**	1,301,636
Finance cost	**3,712**	32,356
Paid during the year	**(132,776)**	(15,573)
At the end of the year	**1,189,355**	1,318,419

(In Saudi Riyals Thousands, unless otherwise indicated)

30. EMPLOYEES' DEFINED BENEFIT OBLIGATIONS

The Group grants end of service benefits to its employees taking into consideration the Saudi Arabian labour law. This benefit is an unfunded defined benefit plan ("DBO").

The benefits provided by this end of service plan is based primarily on years of service and employees' compensation. The obligations are subject to demographic, legal and economic risks. Economic risks are primarily due to unforeseen developments in goods and capital markets and changes to the discount rate used to calculate the DBO.

Principal actuarial assumptions:

	Value per annum (%)	
	2022	2021
Financial assumptions:		
- Net discount rate	2.85	2.85
- Salary growth rate	6.00	6.00
Demographic assumptions:		
- Retirement age	**60 years**	60 years
- Mortality rates	WHO GHO Saudi Arabia life table	WHO GHO Saudi Arabia life table

Movement in present value of defined benefit obligation

	2022	2021
Opening balance - present value of defined benefit obligation	**21,900**	25,392
Current service cost	**8,716**	6,118
Interest cost	**335**	279
Benefits paid	**(8,731)**	(4,059)
Actuarial (Income) loss on obligation	**212**	(1,686)
Adjustment	**-**	(3,821)
Reverse of provision	**(115)**	(323)
Closing balance - present value of defined benefit obligation	**22,317**	21,900

(In Saudi Riyals Thousands, unless otherwise indicated)

31. RIGHT-OF-USE ASSETS AND LEASE LIBILITIES

The Group has lease contracts for various land used in its operations with lease terms of 50-99 years.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year.

	2022	2021
Balance at the beginning of the year	**71,766**	73,146
Addition during the year	**70,462**	-
Deprecation for the year	**(2,353)**	(1,380)
At the end of the year	**139,875**	71,766

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2022	2021
Balance at the beginning of the year	**75,498**	71,030
Addition during the year	**70,462**	
Paid during the year	**(12,240)**	(504)
Accretion interest	**5,301**	4,972
At the end of the year	**139,021**	75,498

The following are the current and non-current lease obligations:

	2022	2021
Non-current lease commitments	**133,169**	69,109
Current Lease Obligations	**5,852**	6,389
	139,021	75,498

The following are the amounts recognised in profit or loss:

	2022	2021
Depreciation expense of right-of-use assets	**2,353**	1,380
Interest expense on lease liabilities	**5,301**	4,972
	7,654	6,352

32. TRADE PAYABLES

	2022	2021
Payable to suppliers and contractors	**61,036**	64,034
Retentions payable to contractors	**12,146**	7,261
	73,182	71,295

(In Saudi Riyals Thousands, unless otherwise indicated)

33. ACCRUALS AND OTHER LIABILITIES

	2022	2021
Advance from customers	**157,620**	277,892
Accrued expenses	**96,647**	76,008
Refundable deposits	**41,064**	36,040
Employees payable	**16,221**	27,952
Dividends payable	**7,372**	7,458
Management and restructuring fees for Alinma Alakaria Real Estate Fund	-	5,187
Amounts due to related parties	**15,994**	8,083
Others	**13,795**	6,469
	348,713	445,089

34. UNEARNED REVENUE

	2022	2021
Opening balance	**104,821**	108,337
Amounts received during the year	**282,256**	259,901
Rental revenue recognized during (note 7)	**(289,619)**	(263,417)
Rental unearned revenue	**97,458**	104,821
Infrastructure unearned revenue	**37,430**	32,262
	134,888	137,083

35. RELATED PARTY TRANSACTIONS AND BALANCES

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

Following table shows the significant related party transactions during the year:

	2022	2021
Executive salaries and allowances*	**20,453**	22,384
Attendance allowance and committees' remuneration (note 9)	**7,225**	7,600
The value of contracts for the sale of real estate units from the developed properties (without preferential benefits)	**13,797**	
	41,475	29,984

* The amounts disclosed in the table above represent the amounts recognized as an expense relating to senior management personnel during the financial period.

Revenues relating to transactions with government entities for the year ended 31 December 2022 amounted to SR 45.3 million (31 December 2021: SAR 50.5 million).

(In Saudi Riyals Thousands, unless otherwise indicated)

36. ZAKAT

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

	2022	2021
At the beginning of the year	**76,947**	56,608
Charge for the year	**18,166**	31,770
Paid during the year	**(21,100)**	(11,431)
At the end of the year	**74,013**	76,947

Status of Assessments

The Group submitted its Zakat assessments for all years up to 2021 and paid the obligations accordingly. Zakat returns assessments from the ZATCA was approved for all years until 2015.

During the current period, the group received zakat assessments for the years from 2016 to 2020, which included differences of SR 54 million. The group submitted its objection to these differences to ZATCA within the statutory period. ZATCA rejected the company's objections for those years, and therefore the Company escalated its objections to the General Secretariate of Tax Committees ("GSTC"), and no decision has been made. The Group believes that the outcome of these objections will be in its favour.

37. COMMITMENTS AND CONTINGENCIES

Capital commitments

The Group is engaged in the execution of several development projects. The value of commitments not executed as at 31 December 2022 amounted to SR 170 million (31 December 2021: SR 207 million).

letters of guarantee

The Group's banks issued letters of guarantee on their behalf amounting to SAR 32.9 million as of 31 December 2022 (31 December 2021: 8.5 million) in the normal course of business.

White idle lands claims

During the year ended 31 December 2022 and 31 December 2021, white idle land fees that were received by the Group from the Ministry of Municipal and Rural Affairs and Housing (MOMRAH) amounted to SR 213 million.

The Group has appealed against the above amounts on the website of MOMRAH, which were rejected by the MOMRAH. Accordingly, the Group filed a lawsuit with the Board of Grievances against the non-eligibility of these claims, as the conditions for levying the white land on these lands did not apply.

As at 31 December 2022 status of these appeals are as follows:

- Administrative court's final ruling in favor of the Group, cancelling fees amounting to SR 188.2 million.
- Administrative court's final ruling in favour MOMRAH amounting to SR 21 million and accordingly, a provision was recorded by the Group in 2019 and it was fully paid.
- There are still two demands for the cancellation of two fees for a total amount of 3.4 million riyals pending before the competent committee and the Board of Grievances and have not been issued by preliminary rulings to date.

Based on the opinion of the legal counsel appointed by the Group's management, it is highly certain that all legal cases pending with the Board of Grievances, will be in the favor of the Group. Accordingly, management does not consider the need to make any further provisions for such claims or related charges.

• ***Legal issues***

There are also some cases filed against the Group during the normal course of business and are currently being discussed. These cases have no material impact on the consolidated financial statements.

(In Saudi Riyals Thousands, unless otherwise indicated)

38. FAIR VALUE MEASUREMENT

Following table provides the fair value measurement hierarchy of the Group's financial assets and financial liabilities as at 31 December 2022 and 31 December 2021:

As at 31 December 2022:	**Carrying Amount**	**(level 1)**	**(level 2)**	**(level 3)**	**Fair value**
Financial assets measured at fair value:					
Investments in equity instruments designated at FVOCI	**297,453**	**43**	**115,443**	**181,967**	**297,453**
Investments designated at FVPL	**-**	**-**	**-**	**-**	**-**
	297,453	**43**	**115,443**	**181,967**	**297,453**
As at 31 December 2021:					
Financial assets measured at fair value:					
Investments in equity instruments designated at FVOCI	327,438	38	127,099	200,301	327,438
Investments designated at FVPL	17,540	-	17,540	-	17,540
	344,978	38	144,639	200,301	344,978

The management assessed that the fair values of cash and cash equivalents, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Management assessed that the carrying value of fixed and variable rate term loans approximates their fair values due to the fact that they bear interest rates that reflect current market interest rates for similar financing and loans. As a result, the values of the future discounted cash flows on those financing and loans are not significantly different from their current carrying value.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities include loans, trade and accrued expenses and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group's principal financial assets include trade and other receivables and cash and cash equivalents that derive directly from its operations. The Group also holds investment in equity instruments designated at FVOCI.

The Group has exposure to the following risks arising from financial instruments:

- Market risk
- Profit rate risk
- Foreign currency risk
- Equity price risk
- Credit risk
- Liquidity risk

The Group's overall risk management program focuses on robust liquidity management as well as monitoring of various relevant market variables, thereby constantly seeking to minimize potential adverse effects on the Group's financial performance. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below:

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings, deposits, AFS financial assets.

The sensitivity analyses in the following sections relate to the position as at 31 December in 2022 and 2021.

Sensitivity analysis have been prepared on the basis that the net debt value, fixed-to-floating debt commission rate ratio, derivatives and the ratio of financial instruments in foreign currencies are all fixed and based on the hedge allocations identified as at December 31, 2022. The analyses exclude the impact of movements in market variables on: the carrying values of pension and other post-retirement obligations and provisions.

The following assumptions have been made in calculating the sensitivity analyses:

- The sensitivity of the relevant consolidated statement of income item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 December 2022 and 2021.

Profit rate risk

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

The Group's exposure to the risk of changes in market profit rates relates primarily to the loans. The loans bearing variable profit rate expose the Group to fluctuation in cash flows due to changes in interest rate. The Group enters into profit rate swaps to hedge its risks. The potential increased (decreased) at 10 pbs in profit rate at reporting date, with all other variables held constant will increase the Group's loss by amount of SR 3.2 million.

Foreign currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's functional and reporting currency is the Saudi Riyal. The Group's transactions are principally in Saudi Riyals, US Dollars. Management monitor the fluctuations in currency exchange rates and believes that the currency risk is not significant. The bulk of the exposure is in USD and the Saudi Riyal is pegged at SAR 3.75: USD 1 therefore, the Group is not exposed to any risk from USD denominated financial instruments.

Equity price risk

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the financial instrument. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

(In Saudi Riyals Thousands, unless otherwise indicated)

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk – continued

The table below shows the remaining contractual maturity dates of the Group's financial liabilities and agreed upon repayment terms. This table has been prepared based on the discounted cash flows of the Group's financial liabilities and as per the nearest date on which the Group is required to repay.

	Book value	Year	More than 1 to 5 years	More than 5 years
31 December 2022				
Trade payables (note 32)	**73,182**	**73,182**	-	-
Loans (note 28&29)	**3,257,817**	**130,698**	**1,041,329**	**2,085,790**
	3,330,999	**203,880**	**1,041,329**	**2,085,790**
31 December 2021				
Trade payables (note 32)	71,295	71,295	-	-
Loans (note 28&29)	3,914,424	2,341,376	984,905	588,143
	3,985,719	2,412,671	984,905	588,143

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

40. CAPITAL MANAGEMENT

For the purpose of the Group's capital management, capital includes issued shares and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividends payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt.

	2022	2021
Term loans	**3,257,817**	3,914,424
Trade payables	**73,182**	71,295
Accruals and other liabilities	**348,713**	445,089
Unearned revenue	**134,888**	137,083
Less: cash and cash equivalents	**(1,170,541)**	(454,797)
Net debt	**2,644,059**	4,113,094
Equity	**4,693,278**	3,008,547
Capital and net debt	**7,337,337**	7,121,641
Gearing ratio	**36%**	58%

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings

41. SUBSEQUENT EVENTS

The management believes that there are no material subsequent events as at date of the statement of financial position until the date of preparation of these consolidated financial statements.

42. COMPARATIVE NUMBERS

Certain of the prior period amounts have been reclassified to conform to the presentation in the current period.

43. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised to issue by the Board of Directors on 8 Ramadan 1444H (corresponding to 30 March 2023).