

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30
JUNE 2020 AND INDEPENDENT AUDITOR'S REVIEW REPORT
(UNAUDITED)**

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2020
AND INDEPENDENT AUDITOR'S REVIEW REPORT (Unaudited)

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Independent Auditor's review report on the interim condensed consolidated financial statements to the shareholders of Saudi Real Estate Company (A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Saudi Real Estate Company - Saudi Joint Stock Company - (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30 June 2020 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-month and six-month periods ended 30 June 2020, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily to persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young

Rashid S. AlRashoud
Certified Public Accountant
License No. (366)

Riyadh : 5 Muharram 1442H
(24 August 2020)

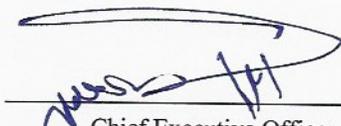


Saudi Real Estate Company and its Subsidiaries
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (Unaudited)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2020
(In Saudi Riyals Thousands, unless otherwise indicated)

	Note	<i>For the three-month period ended</i>		<i>For the six-month period ended</i>	
		<i>30 June 2020</i>	<i>30 June 2019</i>	<i>30 June 2020</i>	<i>30 June 2019</i>
Revenue		96,719	71,802	196,078	144,208
Cost of revenue		(60,226)	(33,982)	(112,438)	(61,028)
GROSS PROFIT		36,493	37,820	83,640	83,180
General and administration expenses		(33,544)	(27,169)	(69,279)	(55,615)
Selling and marketing expenses		(9,230)	(3,392)	(13,940)	(18,867)
(LOSS) OPERATING INCOME		(6,281)	7,259	421	8,698
Financial charges		(3,830)	(4,522)	(8,333)	(9,046)
Impairment provision for prepayments and other receivables		(2,500)	-	(5,000)	-
Gain on revaluation of investments designated at FVPL		-	642	-	1,342
Gain on sale of investments designated at FVPL		-	4,229	-	21,279
Share in profit of an associate	4	3,778	2,916	7,703	6,195
Other income, net		4,885	7,813	6,251	10,059
(LOSS) INCOME BEFORE ZAKAT		(3,948)	18,337	1,042	38,527
Zakat	12	(2,575)	(2,819)	(9,685)	(8,076)
NET (LOSS) INCOME FOR THE PERIOD		(6,523)	15,518	(8,643)	30,451
Attributable to:					
Equity holders of the parent		(4,652)	21,508	(7,558)	40,002
Non-controlling interests		(1,871)	(5,990)	(1,085)	(9,551)
		(6,523)	15,518	(8,643)	30,451
(LOSS) EARNINGS PER SHARE (SR):					
Basic and diluted (loss) income attributable to equity holders of the parent	13	(0.02)	0.09	(0.03)	0.17


Chief Financial Officer


Chief Executive Officer


Chairman, Board of Directors

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME (Unaudited)

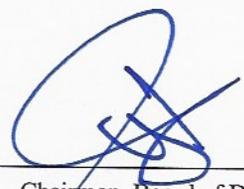
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2020

(In Saudi Riyals Thousands, unless otherwise indicated)

	<i>For the three-month period ended</i>		<i>For the six-month period ended</i>	
	<u>30 June 2020</u>	<u>30 June 2019</u>	<u>30 June 2020</u>	<u>30 June 2019</u>
NET (LOSS) INCOME FOR THE PERIOD	(6,523)	15,518	(8,643)	30,451
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Other comprehensive income (loss) to be reclassified to income in subsequent periods:</i>				
Net change in fair value of investment in equity instruments designated at FVOCI	26,560	(15,750)	(5,423)	(11,484)
Share in other comprehensive income of an associate	-	(1)	-	53
Other comprehensive income (loss) for the period	26,560	(15,751)	(5,423)	(11,431)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	20,037	(233)	(14,066)	19,020
Attributable to:				
Equity holders of the parent	21,908	5,757	(12,981)	28,571
Non-controlling interests	(1,871)	(5,990)	(1,085)	(9,551)
	20,037	(233)	(14,066)	19,020


Chief Financial Officer


Chief Executive Officer


Chairman, Board of Directors

The attached notes 1 to 19 form an integral part of these interim condensed consolidated financial statements.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

(In Saudi Riyals Thousands, unless otherwise indicated)

	Notes	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Properties and equipment		45,823	52,633
Investments properties	3	6,087,376	5,986,655
Intangible assets		12,146	13,830
Investment in an associate	4	240,844	243,141
Investments in equity instruments designated at FVOCI		379,299	384,722
Investments designated at FVPL		57,109	57,109
Right-of-use assets		73,841	74,529
TOTAL NON-CURRENT ASSETS		6,896,438	6,812,619
CURRENT ASSETS			
Trade receivables		165,802	96,987
Prepayments and other receivables		96,013	98,946
Inventories		7,588	6,022
Cash and cash equivalents	5	165,811	184,480
TOTAL CURRENT ASSETS		435,214	386,435
TOTAL ASSETS		7,331,652	7,199,054
EQUITY AND LIABILITIES			
EQUITY			
Share capital	7	2,400,000	2,400,000
Statutory reserve	8	720,000	720,000
Contractual reserve	9	10,051	10,051
Accumulated losses		(166,601)	(159,043)
Other reserves		(7,651)	(2,228)
Equity attributable to equity holders of the parent company		2,955,799	2,968,780
Non-controlling interests		(3,576)	(2,491)
TOTAL EQUITY		2,952,223	2,966,289
NON-CURRENT LIABILITIES			
Long-term loans	10	515,970	645,411
Employees' defined benefit obligations		22,273	22,629
Lease liabilities		59,534	75,834
TOTAL NON-CURRENT LIABILITIES		597,777	743,874
CURRENT LIABILITIES			
Trade payables		83,026	91,068
Accruals and other liabilities		243,556	169,725
Unearned revenue		123,035	103,537
Short-term loan and current portion of long-term loans	10	2,274,714	2,074,077
Loan from a related party – current portion	11	1,011,176	1,012,647
Zakat provision	12	46,145	37,837
TOTAL CURRENT LIABILITIES		3,781,652	3,488,891
TOTAL LIABILITIES		4,379,429	4,232,765
TOTAL EQUITY AND LIABILITIES		7,331,652	7,199,054

Chief Financial Officer

Chief Executive Officer

Chairman, Board of Directors

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019
(In Saudi Riyals Thousands, unless otherwise indicated)

	Attributable to equity holders of the parent company					Total	Non-controlling interests	Total equity
	Share capital	Statutory reserve	Contractual reserve	(Accumulated losses) / retained earnings	Other reserves			
As at 31 December 2019 (Audited)	2,400,000	720,000	10,051	(159,043)	(2,228)	2,968,780	(2,491)	2,966,289
Net loss for the period	-	-	-	(7,558)	-	(7,558)	(1,085)	(8,643)
Other comprehensive loss for the period	-	-	-	-	(5,423)	(5,423)	-	(5,423)
Total comprehensive loss for the period	-	-	-	(7,558)	(5,423)	(12,981)	(1,085)	(14,066)
Balance as at 30 June 2020 (Unaudited)	2,400,000	720,000	10,051	(166,601)	(7,651)	2,955,799	(3,576)	2,952,223
As at 1 January 2019 (Audited)	2,400,000	720,000	10,051	27,308	3,858	3,161,217	9,642	3,170,859
Net income (loss) for the period	-	-	-	40,002	-	40,002	(9,551)	30,451
Other comprehensive loss for the period	-	-	-	-	(11,431)	(11,431)	-	(11,431)
Total comprehensive income (loss) for period	-	-	-	40,002	(11,431)	28,571	(9,551)	19,020
Balance as at 30 June 2019 (Unaudited)	2,400,000	720,000	10,051	67,310	(7,573)	3,189,788	91	3,189,879

Chief Financial Officer

Chief Executive Officer

Chairman, Board of Directors

The attached notes 1 to 19 form an integral part of these interim condensed consolidated financial statements.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020
(In Saudi Riyals Thousands, unless otherwise indicated)

	<u>2020</u>	<u>2019</u>
OPERATING ACTIVITIES		
Income before zakat	1,042	38,527
<i>Adjustments to reconcile income before zakat to net cash flows:</i>		
Depreciation of properties and equipment, investment properties and right-of-use assets	35,945	22,825
Amortization of intangible assets	1,684	420
Provision of employees' defined benefit obligations	2,234	1,209
Share in profit of an associate	(7,703)	(6,195)
Losses on revaluation of derivatives financial instruments	-	1,226
Gain on revaluation and sale of investments designated at FVPL	-	(22,621)
Impairment provision for prepayments and other receivables	5,000	-
Financial charges	8,333	9,046
Charge (reversal) of expected credit losses provision	7,314	(1,778)
	<u>53,849</u>	<u>42,659</u>
<i>Working capital adjustments:</i>		
Trade receivables	(76,129)	(54,583)
Prepayment and other receivables	(2,067)	(11,234)
Inventories	(1,566)	(1,026)
Trade payables	(8,042)	40,804
Accruals and other liabilities	73,831	82,026
Unearned revenue	19,498	11,076
Cash from operations	<u>59,374</u>	<u>109,722</u>
Employees' defined benefit obligations paid	(2,590)	(2,578)
Financial charges paid	(68,183)	(96,631)
Zakat paid	(1,377)	(6,453)
NET CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES	<u>(12,776)</u>	<u>4,060</u>
INVESTING ACTIVITIES		
Additions to properties and equipment	(2,971)	(348)
Additions to intangible assets	-	(1,768)
Dividends received from an associate	10,000	11,667
Additions to investments properties	(69,345)	(296,993)
Proceeds from sale of investments designated at FVPL	-	210,878
Proceeds from disposal of derivative financial instruments	-	1,142
NET CASH FLOWS USED IN INVESTING ACTIVITIES	<u>(62,316)</u>	<u>(75,422)</u>
FINANCING ACTIVITIES		
Long-term and short-term loans, net	75,000	(10,964)
Loan from a related party	-	5,886
Lease liabilities paid	(18,577)	(2,795)
NET CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	<u>56,423</u>	<u>(7,873)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	<u>(18,669)</u>	<u>(79,235)</u>
Cash and cash equivalents at the beginning of the period	184,480	331,724
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>165,811</u>	<u>252,489</u>


Chief Financial Officer


Chief Executive Officer


Chairman, Board of Directors

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (Unaudited)

30 June 2020

(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:

<i>Name</i>	<i>Country of incorporation</i>	<i>Principal activities</i>	<i>Year of incorporation</i>	<i>Ownership percentage (directly or indirectly)</i>	
				<i>2020</i>	<i>2019</i>
Saudi Real Estate Construction Company	I Saudi Arabia	Constructions and maintenance	2016	60%	60%
Saudi Real Estate Infrastructure Company	ii Saudi Arabia	Constructions and maintenance	2017	60%	60%
Saudi Korean Company for Maintenance and Properties Management	iii Saudi Arabia	Maintenance and operation	2017	60%	60%
Alakaria Hanmi for Project Management	iv Saudi Arabia	Provide programs and projects management and lenders’ technical advisory services	2017	60%	60%
Al Widyān Saudi Real State Company	v Saudi Arabia	Developing Al Widyān project	2018	100%	100%
Alinma Alakaria Real Estate Fund	vi Saudi Arabia	Development of real estate	2019	100%	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).

(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. The subsidiary is also engaged in 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, 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).

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (continued)

30 JUNE 2020

(In Saudi Riyals Thousands, unless otherwise indicated)

1. CORPORATE INFORMATION (continued)

(iv) Alakaria Hanmi for Project Management is a limited liability company registered in the Kingdom of Saudi Arabia under commercial registration number 1010612116 dated 21 Muharam 1439H (corresponding to 11 October 2017). The Company is engaged in providing project management services and advisory services for lenders in accordance with the license issued from the General Investment Authority number (10213381076825) date 29 Shawwal 1438H (corresponding to 23 July 2017).

(v) Al Widyān 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.

(vi) 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).

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") endorsed in the Kingdom of Saudi Arabia ("KSA") and other pronouncements that are issued by SOCPA.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2019.

The interim condensed consolidated financial statements have been prepared on a historical cost basis, except for investment in equity instruments designated at FVOCI and investments designated at FVPL that have been measured at fair value.

The interim condensed 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.

2.2 BASIS OF CONSOLIDATION

The interim condensed consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2020 as mentioned in (note 1).

Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed risks, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (Unaudited) (continued)

30 JUNE 2020

(In Saudi Riyals Thousands, unless otherwise indicated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

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

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

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

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, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation of the interim condensed consolidated financial statements.

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 the interim condensed statement of income. Any investment retained is recognised at fair value

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

3. INVESTMENT PROPERTIES

Investment properties consists of plots of lands and properties in the Kingdom of Saudi Arabia. The investment properties are as follow:

	30 June 2020	31 December 2019
Lands	3,403,767	3,403,767
Buildings, net	1,269,029	1,173,977
Capital work-in-progress	1,414,580	1,408,911
At the end of the period/year	6,087,376	5,986,655

During the six-month period ended 30 June 2020, additions to the investment properties amounted to SR 125 million (30 June 2019: SR 297 million), and the depreciation for the period amounted to SR 25 million (30 June 2019: SR 22 million).

Investment properties are stated at cost less accumulated depreciation. The fair value of properties amounted to SR 10.4 billion as at 31 December 2019 based on valuation performed by different valuers namely Century 21, Rawaj, Value Expert and ValuStrat (independent valuers accredited by Saudi Authority for Accredited Valuers), who are specialist in valuing these types of investments properties.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (Unaudited) (continued)

30 JUNE 2020

(In Saudi Riyals Thousands, unless otherwise indicated)

3. INVESTMENT PROPERTIES (continued)

The lands include lands having carrying value of SR 2 billion (2019: SR 2 billion) pledged against an Islamic loan from a local bank.

Investment properties include some buildings constructed on a land leased from the High Commission for the Development of Arriyadh 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.

4. INVESTMENT IN AN ASSOCIATE

As of 30 June 2020 and 31 December 2019 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 interim condensed consolidated financial statements as the Group has significant influence on the associate.

The following is the movement of the investment in an associate during the period/year:

	30 June 2020	31 December 2019
At the beginning of the period/year	243,141	235,657
Share in profits for period/year	7,703	17,446
Dividends received	(10,000)	(11,667)
Share in other comprehensive income for period/year	-	1,705
At the end of the period/year	240,844	243,141

5. CASH AND CASH EQUIVALENTS

	30 June 2020	31 December 2019
Cash at banks and on hand*	165,811	184,480

* The Company is required to maintain certain deposits/balances amounting to SR 5,700 (2019: SR nil) 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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (Unaudited) (continued)

30 JUNE 2020

(In Saudi Riyals Thousands, unless otherwise indicated)

6. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders of the Company 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 directly or indirectly control the activities of the Group and its employees. 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 period/ year:

	As at	
	30 June 2020	31 December 2019
Amounts due from related parties		
The Red Sea Development Company	4,969	-
Amaala Company	1,417	-
Mohammed Ali Al Swailem Company for Trading and Contracting	-	2,480
Hanmi Global Limited	-	3,346
	6,386	5,826
	As at	
	30 June 2020	31 December 2019
Amounts due to a related party		
Hanmi Global Limited	5,108	-
	For the period ended	
	30 June 2020	30 June 2019
Compensation paid to key management personal		
Executive salaries and allowances	9,471	4,488
Attendance allowance and committees remuneration	5,633	1,925
	15,104	6,413

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

7. SHARE CAPITAL

The Company's share capital amounting to SR 2,400 million as at 30 June 2020 is divided into 240 million shares (31 December 2019: 240 million shares) of SR 10 each.

8. STATUTORY RESERVE

In accordance with Saudi Arabian Regulations for Companies and the Company's by-law, the Company must transfer 10% of its net income in each year (after covering accumulated losses). Until this reserve is amounted to 30% of the capital. Since the reserve has reached the required amount the Company has decided to discontinue such transfer. This reserve is not available for distribution.

9. CONTRACTUAL RESERVE

In accordance with the Company's By-Laws, the Company shall transfer 10% from the net income for the year to the contractual reserve, until this reserve equals 50% of the share capital.

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10. SHORT-TERM AND LONG-TERM LOANS

During 2016 the Group obtained Islamic long-term loan from a local bank amounting to SR 2.12 billion. The loan was subject to prevailing interest rates between the Saudi banks (SAIBOR) plus a profit margin and was repayable one time at the end of the agreement period in May 2019. The Group paid SR 50 million during 2019. During 2020 the Company has rescheduled the loan under which the loan is repayable in 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 will be due in November 2021. The loan facility is subject to financial covenants regarding debt to equity ratio, liquidity ratio and commission coverage for which the Group was not in compliance with as at 30 June 2020, in accordance with the disclosure requirements of IAS 1 Presentation of Financial Statements, an amount of SR 2.069 billion (2019: SR 2.047 billion) has been classified as current liability. The Company defaulted on loan installment amounting to SR 450 million due in May 2020.

The Group has pledged to deposit at least 50% of the Group's revenue in their accounts with the lending bank.

During 2018, the Group acquired another long-term Islamic loan from a local bank amounting to SR 650 million. The loan is subject to the prevailing interest rates between the Saudi banks (SAIBOR) plus a profit margin. The loan is repayable in annual instalments in five years after a grace period of two years. The first instalment begins in May 2021. The long-term loan granted to the Group is secured by the Group's collateralized land.

During 2020, the Group acquired another short-term Islamic loan facility from a local bank amounting to SR 100 million out of which the Group have utilised SR 75 million as at 30 June 2020 (31 December 2019: nil). The loan is obtained for to finance working capital and is subject to the prevailing interest rates between the Saudi banks (SAIBOR) plus a profit margin. The loan is repayable in equal semi-annual instalments. The Group has pledged to deposit at least 50% of the Group's revenue in their accounts with the lending bank.

As at 30 June 2020, an amount of SR 43 million (30 June 2019: SR 37 million) was capitalised as cost of borrowing for the construction of the projects under construction.

11. LOAN FROM A RELATED PARTY

The Group signed a long-term loan agreement with the Public Investment Fund 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 1.3 billion reducing the original facility by SR 200 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.

The loan facility is subject to financial covenants regarding debt to equity ratio, liquidity ratio and debt coverage ratio for which the Group was not in compliance with as at 30 June 2020, in accordance with the disclosure requirements of IAS 1 Presentation of Financial Statements, an amount of SR 1, 011 million (2019: SR 1,013 million) has been classified as current liability.

As at 30 June 2020, an amount of SR 14 million (30 June 2019: SR 7 million) was capitalised as cost of borrowing for the construction of the projects under constructions.

12. ZAKAT

The movement in provision for Zakat is as follows:

	<u>30 June 2020</u>	<u>31 December 2019</u>
At beginning of the period/year	37,837	40,610
Provided during the period/year	9,685	12,877
Paid during the period/year	(1,377)	(15,650)
At the end of the period/year	<u>46,145</u>	<u>37,837</u>

The Group submitted its Zakat assessments for all years up to 2019 and paid the obligations accordingly. Zakat returns assessments from the GAZT was approved for all years until 2014.

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13. (LOSS) EARNINGS PER SHARE

Basic and diluted (loss) earnings per share (EPS) is calculated by dividing the (loss) income for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

The (loss) earnings per share calculation is given below:

	For the three-month period ended 30 June	
	2020	2019
(Loss) income for the period attributable to equity holders of the parent	(4,652)	21,508
Weighted average number of ordinary shares (share)	240,000	240,000
Basic and diluted (loss) earnings per share (SR)	(0.02)	0.09

	For the six-month period ended 30 June	
	2020	2019
(Loss) income for the period attributable to equity holders of the parent	(7,558)	40,002
Weighted average number of ordinary shares (share)	240,000	240,000
Basic and diluted (loss) earnings per share (SR)	(0.03)	0.17

14. COMMITMENTS AND CONTINGENCIES

Capital commitments

The Group is engaged in engineering consultancy and design contracts and the execution of capital works with some consultants and contractors. The value of commitments not executed as at 30 June 2020 amounted to SR 140 million (31 December 2019: SR 155 million).

White idle lands claims

During the period ended 30 June 2020, white idle land fees that were received by the Group from the Ministry of Housing amounted to SR 149 million.

The Group has appealed against the above amounts on the website of the Ministry of Housing, which were rejected by the Ministry of Housing. 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 30 June 2020 status of these appeals are as follows:

- Administrative court's final ruling in favour of the Group, cancelling fees amounting to SR 80 million;
- Administrative court's preliminary ruling in favour of the Group cancelling fees amounting to SR 35 million. The Ministry of Housing objected to these rulings. The cases are still pending in the Court; and
- Cases amounting to SR 34 million that are still pending with Administrative court for preliminary ruling.

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 Administrative court, will be in the favour of the Group. Accordingly, management does not consider the need to make any further provisions for such claims or related charges

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14. COMMITMENTS AND CONTINGENCIES (continued)

Legal cases

In 2015, the Company entered into agreement with two investment firms and Saudi Limitless Real Estate Development Company to establish a real estate fund. Under the agreement the Company was required to contribute cash amounting to SR 50 million and Saudi Limitless Real Estate Development Company to contribute certain land worth of SR 1.77 billion to the proposed fund. The Company fulfilled its obligations by paying its cash contribution of SR 50 million under the agreement. However, the proposed fund could not be launched in accordance with agreement. During the 2019, a lawsuit was filed by Saudi Limitless Real Estate Development Company against the Company and the other parties for the value of the land to enforce the agreement. The case is pending before the court and the Company has been advised by its legal counsel that based on the currently available information and court proceedings till date, it appears that the case will be in the Company's favour. Accordingly, no further provision has been made for this matter.

A lawsuit against Riyadh Holding Company - an associate - was filed by a contractor for SR 109 million. A preliminary ruling was issued to pay the amount and an appeal was filed against the ruling in the Court of Appeal.

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 interim condensed consolidated financial statements.

15. SEGMENTAL INFORMATION

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

- A. Residential sector
- B. Commercial sector
- C. Service

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

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:

For the period ended 30 June 2020:	Residential	Commercial	Services	Headquarter	Total
Revenue	64,319	69,782	61,977	-	196,078
Operation cost	31,785	38,688	41,965	-	112,438
As at 30 June 2020:					
Assets	1,720,974	1,755,004	183,284	3,672,390	7,331,652
 For the period ended 30 June 2019:					
Revenue	61,277	82,931	-	-	144,208
Operation cost	27,541	33,487	-	-	61,028
As at 31 December 2019					
Assets	1,582,946	1,536,800	-	4,079,308	7,199,054

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16. FAIR VALUE MEASUREMENT

Following table provides the fair value measurement hierarchy of the Group's financial assets and financial liabilities as at 30 June 2020 and 31 December 2019:

	<u>Carrying Amount</u>	<u>(level 1)</u>	<u>(level 2)</u>	<u>(level 3)</u>	<u>Fair value</u>
As at 30 June 2020:					
Financial assets measured at fair value:					
Investments in equity instruments designated at FVOCI	379,299	73,235	73,145	232,919	379,299
Investments designated at FVPL	57,109	-	57,109	-	57,109
	<u>436,408</u>	<u>73,235</u>	<u>130,254</u>	<u>232,919</u>	<u>436,408</u>
As at 31 December 2019:					
Financial assets measured at fair value:					
Investments in equity instruments designated at FVOCI	384,722	73,238	78,178	233,306	384,722
Investments designated at FVPL	57,109	-	57,109	-	57,109
	<u>441,831</u>	<u>73,238</u>	<u>135,287</u>	<u>233,306</u>	<u>441,831</u>

The management considers 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.

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 values.

17. LIQUIDITY RISKS

Liquidity risk is the risk that Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments.

The Group's approach to managing liquidity is to ensure, as far as possible that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. For this purpose, the Group has maintained credit lines with commercial banks in order to meet its liquidity requirements. As at 30 June 2020, the Group has unused bank financing facilities amounting to SR 331 million to manage the short-term and the long-term liquidity requirements

As at 30 June 2020, the consolidated statement of financial position shows an excess of current liabilities over current assets of SR 3,346 million. Management is confident that the Group will be able to settle all its obligations on a timely basis and the liquidity would be managed through:

- Using the unutilized facilities that amounts to SR 331 million as of 30 June 2020, which the Group has eligibility to withdraw; and
- Sale of investment properties under construction.

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18. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 5 Muharram 1442H (corresponding to 24 August 2020).

19. SIGNIFICANT EVENTS

On 30 January 2020, the International Health Regulations Emergency Committee of the World Health Organisation (WHO) declared the outbreak of “Public Health Emergency of International Concern” arising from the Coronavirus, and on 11 March 2020, the WHO announced that the Coronavirus outbreak can be characterised as a pandemic.

The Saudi Arabian Government, consistent with many other governments around the world have introduced various measures to combat the outbreak, including travel restrictions, quarantines, closure of business and other venues and lockdown of certain area.

The extent to which Coronavirus pandemic impacts the Group’s business, operations, and financial results, is certain but the amount is not specified and depends on many factors and future developments, that the Group may not be able to estimate reliably during the current period. These factors include the virus transmission rate, the duration of the outbreak, precautionary actions that may be taken by governmental authorities to reduce the spread of the epidemic and the impact of those actions on economic activity, the impact to the businesses of the Group’s customers and other factors.

Whilst it is challenging now, to predict the full extent and duration of its business and economic impact, the Group’s management carried out an impact assessment on the overall Group’s operations, estimated its liquidity requirements and business aspects. The Group cannot assure its assumptions used in the above estimates will be correct due to such uncertain situation. In addition, the magnitude, duration and speed of the global pandemic is uncertain. Therefore, the management has taken several steps to mitigate the effects of the pandemic, including costs reduction measures.

However, in the view of the current uncertainty, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.