

**SAUDI REAL ESTATE COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS AND
INDEPENDENT AUDITOR'S REVIEW REPORT
ENDED 30 JUNE 2022**

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS(Unaudited)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2022

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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** ("the Company") and its subsidiaries (together "the Group") as at 30 June 2022 and the related interim condensed consolidated statements of profit or loss and other comprehensive income for the three - months and six -months period then ended and changes in equity and cash flows for the six months period then ended, 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) that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this interim condensed consolidated financial information 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", as endorsed in the Kingdom of Saudi Arabia. A review of condensed consolidated interim financial statements consists of making inquiries, primarily of 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 in Auditing, as 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, as endorsed in the Kingdom of Saudi Arabia.

Other matter

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

The Company's interim condensed consolidated financial statements for the three-months and six-months periods ended 30 June 2021G, were reviewed by another auditor, who expressed an unmodified conclusion on 14 Muharram 1443H corresponding 2 August 2021G .

**Independent Auditor's review report on the
interim condensed consolidated financial statements (Continued)**

Emphasis of Matters

We draw attention to note (3-a) to the interim condensed consolidated financial statements for the period ended 30 June 2022, as 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 30 June 2022 (31 December 2021 :SR417 million)

We further draw attention to note (3-b) to the interim condensed consolidated financial statements. As stated therein, during the period; 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 856 million Saudi riyals respectively as at 30 June 2022.(31 December 2021 : SR 2,168 million and SR 847 million respectively)

Our review conclusion has not been modified in respect of the above matters.

For Al-Kharashi Co.



Abdullah S. Al Msned
License No. (456)



27 Muharram 1444H

25 August 2022G

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Unaudited)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2022
(In Saudi Riyals Thousands, unless otherwise indicated)

	For the three-month period ended		For the six-month period ended	
	Note 30 June 2022 (Unaudited)	30 June 2021 (Unaudited)	30 June 2022 (Unaudited)	30 June 2021 (Unaudited)
Revenue	587,802	162,918	869,937	345,509
Cost of revenue	(454,272)	(100,791)	(669,047)	(234,309)
GROSS PROFIT	133,530	62,127	200,890	111,200
General and administration expenses	(43,671)	(36,865)	(85,477)	(72,924)
Selling and marketing expenses	(2,729)	(10,553)	(25,245)	(26,439)
OPERATING PROFIT	87,130	14,709	90,168	11,837
Financial charges	(35,017)	(24,520)	(55,616)	(27,742)
Impairment provision for prepayments and other debit balance	-	(800)	-	(800)
Share in profit of an associate	4 5,727	3,551	8,613	7,243
Other income	3,074	9,658	3,316	14,948
PROFIT BEFORE ZAKAT	60,914	2,598	46,481	5,486
Zakat	10 (8,046)	(4,743)	(16,842)	(6,229)
PROFIT / (LOSS) FOR THE PERIOD	52,868	(2,145)	29,639	(743)
PROFIT / (LOSS) ATTRIBUTABLE TO :				
Owners of the parent	45,307	(9,170)	15,856	(13,720)
Non-controlling interest	7,561	7,025	13,783	12,977
	52,868	(2,145)	29,639	(743)
Earnings per share from the net profit /loss) for the Period attributable to the shareholders of the company				
Basic and diluted earnings per share (Saudi Riyals)	11 0.15	(0,04)	0.06	(0,06)



Chief Financial Officer



Chief Executive Officer, Managing Director



Chairman, Board of Directors

The attached notes 1 to 18 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 COMPREHENSIVE INCOME
(Unaudited)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2022
(In Saudi Riyals Thousands, unless otherwise indicated)

	For the three-month period ended		For the six-month period ended	
	30 June 2022 (Unaudited)	30 June 2021 (Unaudited)	30 June 2022 (Unaudited)	30 June 2021 (Unaudited)
NET PROFIT / (LOSS) FOR THE PERIOD	52,868	(2,145)	29,639	(743)
Other comprehensive income (loss) to be reclassified to income in subsequent periods:				
Net change in fair value of investment in equity instruments designated at FVOCI	(31,391)	42,301	(31,905)	74,329
Other comprehensive income / (loss) for the period	(31,391)	42,301	(31,905)	74,329
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	21,477	40,156	(2,266)	73,586
Attributable to:				
Owners of the parent	13,915	33,131	(16,049)	60,609
Non-controlling interest	7,562	7,025	13,783	12,977
	21,477	40,156	(2,266)	73,586


Chief Financial Officer


Chief Executive Officer / Managing Director


Chairman, Board of Directors

The attached notes 1 to 18 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 2022

(In Saudi Riyals Thousands, unless otherwise indicated)

	Notes	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property and equipment			
Investments properties		18,339	23,682
Intangible assets	3	5,369,840	5,376,655
Investment in an associate		14,398	16,573
Investments in equity instruments designated at FVOCI	4	275,849	277,235
Investments designated at FVPL		295,533	327,438
Right-of-use assets		1,478	17,540
Contracts assets		71,082	71,766
Trade receivables – non-current portion		-	13,363
Developed properties – non-current portion	3-C	-	16,909
		792,453	-
TOTAL NON-CURRENT ASSETS		6,838,972	6,141,161
CURRENT ASSETS			
Developed properties			
Trade receivables	3-C	199,633	554,405
Prepayments and other receivables		317,656	339,891
Inventories		286,678	277,315
Cash and cash equivalents		26,426	13,072
		1,417,644	454,797
TOTAL CURRENT ASSETS		2,248,037	1,639,480
TOTAL ASSETS		9,087,009	7,780,641
EQUITY AND LIABILITIES			
EQUITY			
Share capital			
Statutory reserve	6	3,750,000	2,400,000
Contractual reserve	7	720,000	720,000
Share premium		10,051	10,051
Accumulated losses		222,700	-
Other reserves		(229,565)	(245,421)
		43,952	75,857
Equity attributable to equity holders of the parent company		4,517,138	2,960,487
Non-controlling interests		43,843	38,060
TOTAL EQUITY		4,560,981	2,998,547
NON-CURRENT LIABILITIES			
Term loans			
Loan from Ministry of Finance	8	2,068,462	387,918
Employees' defined benefit obligations	9	1,120,294	1,185,130
Contracts liabilities		21,993	21,900
Lease liabilities		-	39,858
		71,702	69,109
TOTAL NON-CURRENT LIABILITIES		3,282,451	1,703,915
CURRENT LIABILITIES			
Trade payables			
Accruals and other liabilities		99,272	71,295
Unearned revenue		461,097	445,089
Term loans – current portion		147,187	137,083
Loan from Ministry of Finance – current portion	8	390,410	2,208,087
Lease liabilities – current portion	9	65,349	133,289
Zakat provision		6,389	6,389
	10	73,873	76,947
TOTAL CURRENT LIABILITIES		1,243,577	3,078,179
TOTAL LIABILITIES		4,526,028	4,782,094
TOTAL EQUITY AND LIABILITIES		9,087,009	7,780,641

Chief Financial Officer

Chief Executive Officer, Managing Director

Chairman, Board of Directors

The attached notes 1 to 18 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 CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

(In Saudi Riyals Thousands, unless otherwise indicated)

	Attributable to equity holders of the parent company							Non-controlling interests	Total equity
	Share capital	Statutory reserve	Contractual reserve	Share Premium	Accumulated losses	Other reserves	Total		
As at 31 December 2020 (Audited)	2,400,000	720,000	10,051	-	(262,914)	(6,125)	2,861,012	(21,744)	2,839,268
Net (loss) for the period	-	-	-	-	(13,720)	-	(13,720)	12,977	(743)
Other comprehensive income for the period	-	-	-	-	-	74,329	74,329	-	74,329
Total comprehensive (loss) / income for period	-	-	-	-	(13,720)	74,329	60,609	12,977	73,586
Dividends issued by a subsidiary	-	-	-	-	-	-	-	(8,000)	(8,000)
Other movements	-	-	-	-	-	-	-	7,754	7,754
Related to disposal of a subsidiary	-	-	-	-	-	-	-	1,612	1,612
Acquisition of minority interests	-	-	-	-	(37,416)	-	(37,416)	33,116	(4,300)
Balance as at 30 June 2021 (Unaudited)	2,400,000	720,000	10,051	-	(314,050)	68,204	2,884,205	25,715	2,909,920
As at 1 January 2021 (Audited)	2,400,000	720,000	10,051	-	(245,421)	75,857	2,960,487	38,060	2,998,547
Net income for the period	-	-	-	-	15,856	-	15,856	13,783	29,639
Other comprehensive loss for the period	-	-	-	-	-	(31,905)	(31,905)	-	(31,905)
Total comprehensive income / (loss) for the period	-	-	-	-	-	(31,905)	(31,905)	-	(31,905)
Dividends issued by a subsidiary	-	-	-	-	15,856	(31,905)	(16,049)	13,783	(2,266)
Increase in Capital (note 6)	1,350,000	-	-	222,700	-	-	1,572,700	(8,000)	(8,000)
Balance as at 30 June 2022 (Unaudited)	3,750,000	720,000	10,051	222,700	(229,565)	43,952	4,517,138	43,843	4,560,981


Chief Financial Officer


Chief Executive Officer, Managing Director


Chairman, Board of Directors

The attached notes 1 to 18 form an integral part of these interim condensed consolidated financial statements.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL

STATEMENTS (Unaudited)

30 JUNE 2022

(In Saudi Riyals Thousands, unless otherwise indicated)

	30 June 2022 (Unaudited)	30 June 2021 (Unaudited)
OPERATING ACTIVITIES		
Income before zakat from continuing operations	46,481	5,486
<i>Adjustments to reconcile income before zakat to net cash flows:</i>		
Depreciation of properties, equipment, investment properties and right-of-use assets	35,505	34,345
Amortization of intangible assets	1,668	2,046
Provision of employees' defined benefit obligations	6,605	3,477
Share in profit of an associate	(8,613)	(7,243)
Impairment provision for prepayments and other receivables	-	800
Financial charges	55,616	27,742
Gain on disposal of a subsidiary	-	(3,619)
Charge of expected credit losses provision	8,672	13,924
	<u>145,934</u>	<u>76,958</u>
<i>Working capital adjustments:</i>		
Trade receivables	13,563	(85,126)
Prepayment and other receivables	(9,363)	(95,482)
Inventories	(13,354)	1,621
Trade payables	27,977	(4,593)
Accruals and other liabilities	16,008	20,613
Contract liabilities, net	(26,495)	-
Unearned revenue	10,104	53,788
Developed properties	(437,681)	-
Cash (used in) operations	<u>(273,307)</u>	<u>(32,221)</u>
Employees' defined benefit obligations paid	(6,512)	(2,466)
Zakat paid	(19,916)	(10,881)
NET CASH FLOWS (USED IN) OPERATING ACTIVITIES	<u>(299,735)</u>	<u>(45,568)</u>
INVESTING ACTIVITIES		
Purchase of properties and equipment	(1,592)	(2,443)
Net change in investments designated at FVPL	16,062	-
Net change investments in equity instruments designated at FVOCI	31,905	-
Net proceeds from disposal of a subsidiary, net of cash disposed	-	(236)
Dividends received from an associate	9,999	9,999
Additions to investments properties	(19,462)	(77,009)
Proceeds from disposal of properties, equipment and investments properties	-	945
NET CASH FLOWS FROM /(USED IN) INVESTING ACTIVITIES	<u>36,912</u>	<u>(68,744)</u>
FINANCING ACTIVITIES		
Proceeds from commercial loans and loan from Ministry of Finance	438,823	65,490
Paid commercial loans and loan from Ministry of Finance	(708,732)	(244,914)
Financial charges paid	(69,121)	(49,871)
Acquisition of minority interests	-	(4,300)
Dividends issued by a subsidiary to non-controlling interests	(8,000)	(8,000)
Increase in share capital	1,572,700	-
NET CASH FLOWS FROM /(USED IN) FINANCING ACTIVITIES	<u>1,225,670</u>	<u>(241,595)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>962,847</u>	<u>(355,907)</u>
Cash and cash equivalents at the beginning of the period attributable to discontinued operations	-	1,436
Cash and cash equivalents at the beginning of the period	454,797	523,319
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>1,417,644</u>	<u>168,848</u>

Chief Financial Officer

Chief Executive Officer, Managing Director

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 2022
(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 interim condensed consolidated financial statements:

Name	Country of incorporation	Principal activities	Year of incorporation	Ownership percentage (directly or indirectly)	
				30 June 2022	30 June 2021
Saudi Real Estate Construction Company	i Saudi Arabia	Constructions and maintenance	2016	100%	100%
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%
Al Widyan Saudi Real State Company	v Saudi Arabia	Developing Al Widyan 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). On 28 February 2021, the Group acquired an additional 40% equity interest of Saudi Real Estate Construction Company, increasing its ownership interest to 100%. Cash consideration of SR 4,300 was paid to the non-controlling interests. The carrying value of the additional interests in Saudi Real Estate Construction Company was SR 33,116 (net liability position). Difference between carrying value of the additional interest and consideration paid to non-controlling interests amounting to SR 37,416 was recognised in the consolidated statement of changes in equity under accumulated losses.

(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
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30 JUNE 2022
(In Saudi Riyals Thousands, unless otherwise indicated)

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. The Group's management is in the process of completing all the legal procedures for liquidating the Fund, and transferring all its assets to the Company.

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 2021.

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 2022 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
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(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 2021. The Group has not early adopted any new standard, interpretation or amendment that has been issued but which are not yet effective.

2.4 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

Several amendments apply for the first time in 2022, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Costs of Fulfilling a Contract – Amendments to IAS 37

Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

Reference to the Conceptual Framework – Amendments to IFRS 3

Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in statement of income.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter, IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities and IAS 41 Agriculture – Taxation in fair value measurements

Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', and IAS 41, 'Agriculture'.

Saudi Real Estate Company and its Subsidiaries
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (Unaudited)
30 JUNE 2022
(In Saudi Riyals Thousands, unless otherwise indicated)

3. INVESTMENT PROPERTIES

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

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Lands	4,141,861	3,382,106
Buildings, net	971,117	1,232,234
Capital work-in-progress	256,862	762,315
At the end of the period / year	<u>5,369,840</u>	<u>5,376,655</u>

During the six-month period ended 30 June 2022, additions to the investment properties amounted to SR 19 million (30 June 2021: SR 77 million), and the depreciation for the period amounted to SR 27.2 million (30 June 2021: SR 25 million).

Investment properties are stated at cost less accumulated depreciation. The fair value of properties amounted to SR 9.5 billion as at 31 December 2021 based on valuation performed by different valuers namely Century 21, and JLL (independent valuers accredited by Saudi Authority for Accredited Valuers), who are specialist in valuing these types of investments properties.

The lands include lands having carrying value of SR 2 billion as of 30 June 2022 (31 December 2021: 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.

a) Suspension of use of certain land parcels

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 30 June 2022 (31 December 2021: SR 417 million).

b) Al Widyah project

During 2021, it came to management's attention that the land included in the Company's Al Widyah 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 carrying value of the related land and capital works-in-progress as at 30 June 2022 amounted to SR 2,168 million and SR 856 million respectively (31 December 2021: SR 2,168 and SR 849 million respectively).

c) Developed properties

The table below shows the details of the developed properties:

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Developed real estate projects	199,633	554,405
Lands under development*	792,453	-
	<u>992,086</u>	<u>554,405</u>

* During the period ended 30 June 2022, the Group has completed the procedures of owning lands located in eastern Riyadh at a price of SR 727 million (excluding real estate tax and commission). Which was classified as non-current as management believes that the sale will commence 12 months after the date of the interim condensed consolidated financial statements.

The real estate transaction tax and the commission amounted to SR 52 million, and the projects under construction related to those lands amounted to SR 13 million as at 30 June 2022.

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4. INVESTMENT IN AN ASSOCIATE

The Group owns 16.67% interest as on 30 June 2022 and 31 December 2021 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 2022 (Unaudited)	31 December 2021 (Audited)
At the beginning of the period / year	277,235	252,663
Share of profits for period / year	8,613	11,573
Dividends received during the period / year	(9,999)	(9,999)
Other	-	22,998
At the end of the period / year	275,849	277,235

5. 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.

Transactions with related parties include a loan granted by the Public Investment Fund (note 9).

The amounts disclosed in the table below represent the amounts recorded as an expense related to the employees of top-level management during the period.

	For the six months period ended	
	30 June 2022 (Unaudited)	30 June 2021 (Unaudited)
Compensation paid to key management personal	16,957	13,006
Executive salaries and allowances	1,240	2,606
Attendance allowance and committees' remuneration	18,197	15,612

Related parties balances are classified under prepayments and other receivables and accruals and other liabilities.

6. SHARE CAPITAL

The Company's share capital amounting to SR 3,750 million as at 30 June 2022 is divided into 375 million shares (31 December 2021: 240 million shares) of SR 10 each. During the year ended 31 December 2021, the Board of Directors has approved to raise a recommendation to the Extraordinary General Assembly to increase the Company's share capital by SR 1.6 billion by offering rights issuing. On 18 May 2022 the Extraordinary General Assembly has approved the increase in share capital the legal formalities has been completed during the period.

7. 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. This reserve is not available for distribution.

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8. 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 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 will be due in November 2021. the bank has agreed to defer the repayments to June 2022. In June 2022, the company rescheduled the loan and the principal of the loan of SAR 2.068 billion will be repaid in equal semi-annual installments within eight years after a four-year grace period. The first installment is due for repayment in December 2026. The loan is subject to the prevailing commission rates between Saudi banks (SIBOR) plus the profit margin.

The long-term loan granted to the Group is secured by the Group's collateralized investment properties (note 3).

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 second instalment due in June 2022 amounting to SR 130 million of the principle loan has been classified as current portion. The long-term loan granted to the Group is secured by the Group's collateralized land (note 3).

During the period ended 31 June 2022, the Group acquired a loan facility from a local bank amounting to SR 400 million out of which the Group have utilised SR 382 million as at 31 June 2022. The loan is obtained to finance the purchase of lands and is subject to the prevailing interest rates between the Saudi banks (SAIBOR) plus a profit margin. The group paid off the loan in full and the procedures for raising the mortgage on the land were completed. The loan granted to the group is secured by land mortgaged by the group (Note 3-C).

As at 30 June 2022, an amount of SR Nil (30 June 2021: SR 16.2 million) was capitalised as cost of borrowing for the construction of the project under constructions.

The movement of loans as summarized as the following:

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
At the beginning of the period/year	2,596,005	2,810,949
Addition during the period/year	382,680	60,000
Financial costs charged during the period/year	40,094	61,329
Payments made during the period/year	(559,907)	(336,273)
At the end of the period/year	2,458,872	2,596,005
Term loans – current portion	390,410	2,208,087
Term loans – Noncurrent portion	2,068,462	387,918

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9. LOAN FROM MINISTRY OF FINANCE

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.

Borrowing costs capitalised during the period ended 30 June 2022 amounted to SR Nil (30 June 2021: SR Nil)

The movement of the loan as summarized as the following:

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
At the beginning of the period/year	1,318,419	1,301,636
Addition during the period/year	-	-
Financial costs charged during the period/year	16,049	32,356
Payments made during the period/year	(148,825)	(15,573)
At the end of the period/year	1,185,643	1,318,419
Term loans – current portion	65,349	133,289
Term loans – Noncurrent portion	1,120,294	1,185,130

10. ZAKAT

The movement in provision for Zakat is as follows:

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
At the beginning of the period/year	76,947	56,608
Charge for the period/year	16,842	31,770
Paid during the period/year	(19,916)	(11,431)
At the end of the period/year	73,873	76,947

The Group submitted its Zakat assessments for all years up to 2021 and paid the obligations accordingly. Zakat returns assessments from the Zakat, Tax and Customs Authority (ZATCA) was approved for all years until 2015. The Group has received zakat assessments for the years from 2016 to 2020, which included differences of SR 51 million. The Group submitted its objections to these differences to ZATCA within the statutory period. The Group believes that the outcome of these objections will be in its favour.

11. EARNING PER SHARE

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

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

	For the three-month period ended on 30 June 2022		For the six-month period ended on 30 June 2022	
	2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
Profit (loss) for the period	45,307	(9,170)	15,856	(13,720)
Average number of share outstanding during the period	304,500	240,000	272,000	240,000
Earnings per share - Basic and Diluted (Saudi Riyals)	0.15	(0.4)	0.06	(0.06)

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12. 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 2022 amounted to SR 281 million (31 December 2021: SR 207 million).

Potential liabilities

- **White idle lands claims**

As of 30 June 2022, white idle land fees that were received by the Group from the Ministry of Housing amounted to SR 210 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 2022 status of these appeals are as follows:

- Administrative court's final ruling in favor of the Group, cancelling fees amounting to SR 189 million;
- Administrative court's final ruling in favour Ministry of Housing amounting to SR 21 million and accordingly, a provision was recorded by the Group in 2019.

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

- **Legal cases**

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.

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13. SEGMENTAL INFORMATION

For management purposes, the Group consists of business units based on its products and services and has two 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:

30 June 2022:	Residential	Commercial	Services	Headquarter	Total
Revenue	449,252	115,491	305,194	-	869,937
Operation cost	385,602	39,560	243,885	-	669,047
Assets	1,581,829	6,723,376	499,228	282,576	9,087,009
30 June 2021:					
Revenue	67,807	266,700	11,002	-	345,509
Operation cost	27,225	199,505	7,579	-	234,309
Assets	2,122,770	4,785,015	475,365	397,491	7,780,641

14. FAIR VALUE MEASUREMENT

Following table provides the fair value measurement hierarchy of the Group's financial assets and financial liabilities as at 30 June 2022 and 31 December 2021:

	Carrying Amount	(level 1)	(level 2)	(level 3)	Fair value
As at 30 June 2022:					
Financial assets measured at fair value:					
Investments in equity instruments designated at FVOCI	295,533	39	102,470	193,024	295,533
Investments designated at FVPL	1,478	-	1,478	-	1,478
	297,011	39	103,948	193,024	297,011
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 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.

14. FAIR VALUE MEASUREMENT (continued)

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.

15. 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.

16. SIGNIFICANT EVENTS

The outbreak of Novel Coronavirus (COVID 19) continues. Therefore, it is challenging to predict the full extent and duration of its business and economic impact.

A reliable estimate of the impact cannot be made at the date of authorisation of these interim condensed consolidated financial statements. These developments may impact the Group's future financial results, cash flows and financial condition.

17. RECLASSIFICATION IN COMPARATIVE NUMBERS

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

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 25 Muharram 1444H (corresponding to 23 August 2022).