

**Saudi Real Estate Company and its Subsidiaries
(A Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED) AND
INDEPENDENT AUDITOR'S REPORT
FOR THE THREE MONTH AND SIX MONTH PERIODS
ENDED JUNE 30, 2023**

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

Interim condensed consolidated financial statements (unaudited) for the three and six month periods ended June 30, 2023

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Independent Auditor's report on review the interim condensed consolidated financial statements

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

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 2023 and the related interim condensed consolidated statements of profit or loss and 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 from 1 to 15 which form an integral part of these interim condensed consolidated financial statements.

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 related to comparative figures

The Company's interim condensed consolidated financial statements for the three-months and six-months period ended 30 June 2022 were audited by another auditor, who expressed an unmodified conclusion on 27 Muharram 1444H corresponding on 25 August 2022. The Company's interim condensed consolidated financial statements for the year ended 31 December 2022, were audited by another auditor, who expressed an unmodified opinion on 14 Ramadan 1444H corresponding 05 April 2023.

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

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

Emphasis of Matters

We draw attention to note (5.1) to the interim condensed consolidated financial statements for the period ended 30 June 2023, as stated therein, certain plots of land owned by the Company are currently not available for use or development due to various reasons, out of which certain reasons are related to the areas where these land are located and other related to the fact that they are under study by specialized committees to resolve these matters. The management is currently communicating with the concerned government agencies to address these reasons to allow the use of these plots of land. The impact on the recoverable value of these land is still uncertain and depend on the final results of the study by the assigned committees. The carrying value of these plots of land amounted to SR 437.7 million as at 30 June 2023 (31 December 2022: SR 437.7 million).

We further draw attention to note (5.2) to the interim condensed consolidated financial statements for the period ended 30 June 2023, as stated therein, it has come to management's attention that the land which was designated for the Al Widyen 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 substantial change to the original project's plan and may impact the land's recoverable value. The effect of the extent of this study remains uncertain and is dependent on finalizing the study and future development by the government agencies' plan. The carrying value of the land and capital work-in-progress amounted to SR 2.6 billion and SR 325.5 million Saudi riyals respectively as at 30 June 2023 (31 December 2022: SR 2.6 billion and SR 325.5 million respectively).

No modified conclusion has not been expressed in respect of the above matters.

FOR EL SAYED EL AYOUTY & CO.



Abdullah Ahmad Balamash
Certified Public Accountant
License No. (345)

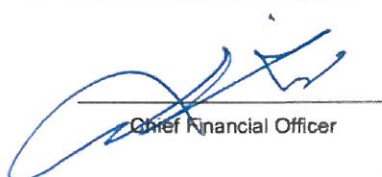
Riyadh: August 06, 2023
Muharram 19, 1445H

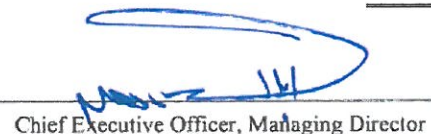


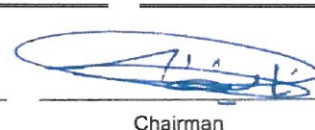
Saudi Real Estate Company and its Subsidiaries
(A Saudi Joint Stock Company)

Interim condensed consolidated statement of financial position as at June 30, 2023
(In Saudi Riyals Thousands, unless otherwise indicated)

	Notes	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property and equipment		32,532	19,535
Investments properties	5	5,395,279	5,381,156
Intangible assets		11,003	12,812
Investment in an associate	6	286,764	278,014
Investments in equity instruments held at FVOCI		339,469	297,453
Right-of-use assets		138,067	139,875
Contracts assets		-	106,646
Trade receivables – non-current portion		17,075	22,171
Developed properties – non-current portion	7	107,488	922,470
TOTAL NON-CURRENT ASSETS		6,327,677	7,180,132
CURRENT ASSETS			
Developed properties	7	982,689	69,565
Inventories		36,865	54,114
Trade receivables		181,452	154,990
Prepayments and other debit balance		354,222	223,551
Cash and cash equivalents		919,794	1,170,541
TOTAL CURRENT ASSETS		2,475,022	1,672,761
TOTAL ASSETS		8,802,699	8,852,893
EQUITY AND LIABILITIES			
EQUITY			
Share capital	8	3,750,000	3,750,000
Share premium		222,700	222,700
Statutory reserve		720,000	720,000
Contractual reserve		10,051	10,051
Other reserves		81,333	39,846
Accumulated losses		(208,533)	(134,882)
Equity attributable to equity holders of the parent company		4,575,551	4,607,715
Non-controlling interests		100,746	85,563
TOTAL EQUITY		4,676,297	4,693,278
NON-CURRENT LIABILITIES			
Term loans	9	2,068,462	2,068,462
Loan from Ministry of Finance	10	986,773	1,058,657
Lease liabilities		135,708	133,169
Employees' defined benefit obligations		24,523	22,317
Contracts liabilities		-	109,664
TOTAL NON-CURRENT LIABILITIES		3,215,466	3,392,269
CURRENT LIABILITIES			
Loan from Ministry of Finance	10	137,233	130,698
Lease liabilities		5,852	5,852
Trade payables		120,388	73,182
Accrued expenses and other credit balance		374,460	348,713
Unearned revenue		201,308	134,888
Zakat and Tax provision	11	71,695	74,013
TOTAL CURRENT LIABILITIES		910,936	767,346
TOTAL LIABILITIES		4,126,402	4,159,615
TOTAL LIABILITIES AND EQUITY		8,802,699	8,852,893


Chief Financial Officer


Chief Executive Officer, Managing Director


Chairman

The accompanying notes from (1) to (15) form an integral part of these interim condensed consolidated financial statements.

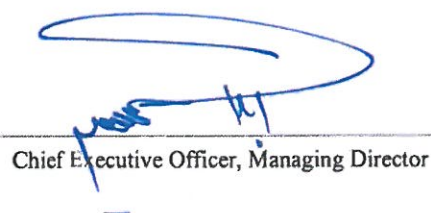
Saudi Real Estate Company and its Subsidiaries
(A Saudi Joint Stock Company)

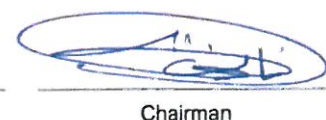
Interim condensed consolidated statement of profit or loss for three and six months period ended June 30, 2023

(In Saudi Riyals Thousands, unless otherwise indicated)

	Note	For the three-month period from April 1 to June 30		For the six-month period from January 1 to June 30	
		2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
Revenue		355,474	587,802	748,447	869,937
Cost of revenue		(318,807)	(454,272)	(583,512)	(669,047)
GROSS PROFIT		36,667	133,530	164,935	200,890
Selling and marketing expenses		(16,993)	(2,729)	(28,352)	(25,245)
General and administration expenses		(42,771)	(43,671)	(81,190)	(85,477)
OPERATING (LOSS) / PROFIT		(23,097)	87,130	55,393	90,168
Share in profit of an associate	6	6,457	5,727	9,280	8,613
Other income		11,988	3,074	20,063	3,316
Financial charges		(58,715)	(35,017)	(116,224)	(55,616)
(LOSS) / PROFIT BEFORE ZAKAT		(63,367)	60,914	(31,488)	46,481
Zakat and Tax		(7,339)	(8,046)	(14,980)	(16,842)
(LOSS) / PROFIT FOR THE PERIOD		(70,706)	52,868	(46,468)	29,639
NET (LOSS) / PROFIT ATTRIBUTABLE TO:					
Owners of the parent		(82,517)	45,307	(73,651)	15,856
Non-controlling interest		11,811	7,561	27,183	13,783
		(70,706)	52,868	(46,468)	29,639
Earnings per share from the net (loss) / profit for the Period attributable to the shareholders of the company					
Basic and diluted (loss) / earnings per share (Saudi Riyals)	12	(0.22)	0.15	(0.20)	0.06


Chief Financial Officer


Chief Executive Officer, Managing Director


Chairman

The accompanying notes from (1) to (15) form an integral part of these interim condensed consolidated financial statements.

Saudi Real Estate Company and its Subsidiaries

(A Saudi Joint Stock Company)

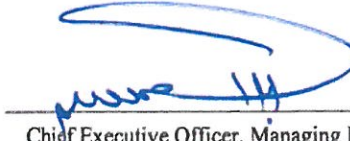
Interim condensed consolidated statement of comprehensive income for three and six months period ended June 30, 2023

(In Saudi Riyals Thousands, unless otherwise indicated)

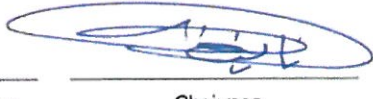
	For the three-month period from April 1 to June 30		For the six-month period from January 1 to June 30	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
NET (LOSS) / PROFIT FOR THE PERIOD	(70,706)	52,868	(46,468)	29,639
Other comprehensive income / (loss) to be reclassified to income in subsequent periods:				
Change in fair value of investment in equity instruments designated at FVOCI	42,547	(31,391)	42,017	(31,905)
Share in other comprehensive income of an associate	(530)	-	(530)	-
Other comprehensive income / (loss) for the period	42,017	(31,391)	41,487	(31,905)
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD	(28,689)	21,477	(4,981)	(2,266)
Attributable to:				
Owners of the parent	(40,500)	13,916	(32,164)	(16,049)
Non-controlling interest	11,811	7,561	27,183	13,783
	(28,689)	21,477	(4,981)	(2,266)



Chief Financial Officer



Chief Executive Officer, Managing Director




Chairman

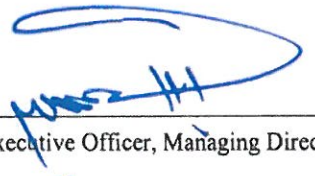
The accompanying notes from (1) to (15) form an integral part of these interim condensed consolidated financial statements.


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

Interim condensed consolidated statement of changes in equity for six months period ended June 30, 2023
(In Saudi Riyals Thousands, unless otherwise indicated)

	Equity attributable to equity holders of the parent company						Non-controlling interests	Total equity
	Share capital	Share Premium	Statutory reserve	Contractual reserve	Other reserves	Accumulated losses	Total	
As at January 1, 2023 (Audited)	3,750,000	222,700	720,000	10,051	39,846	(134,882)	4,607,715	4,693,278
Net (loss) / profit for the period	-	-	-	-	-	(73,651)	(73,651)	(46,468)
Other comprehensive income	-	-	-	-	41,487	-	41,487	41,487
Total comprehensive loss for the period	-	-	-	-	41,487	(73,651)	(32,164)	(4,981)
Dividends issued by a subsidiary	-	-	-	-	-	-	(12,000)	(12,000)
Balance as at June 30, 2023 (Unaudited)	3,750,000	222,700	720,000	10,051	81,333	(208,533)	4,575,551	4,676,297
As at January 1, 2022 (Audited)	2,400,000	-	720,000	10,051	75,857	(245,421)	2,960,487	2,998,547
Increase in Capital	1,350,000	222,700	-	-	-	-	1,572,700	1,572,700
Net profit for the period	-	-	-	-	-	15,856	15,856	29,639
Other comprehensive loss	-	-	-	-	(31,905)	-	(31,905)	(31,905)
Total other comprehensive loss for the period	-	-	-	-	(31,905)	15,856	(16,049)	(2,266)
Dividends issued by a subsidiary	-	-	-	-	-	-	(8,000)	(8,000)
Balance as at June 30, 2022 (Unaudited)	3,750,000	222,700	720,000	10,051	43,952	(229,565)	4,517,138	4,560,981


Chief Financial Officer


Chief Executive Officer, Managing Director


Chairman

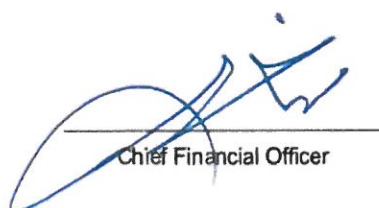
The accompanying notes from (1) to (15) form an integral part of these interim condensed consolidated financial statements.

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

Interim condensed consolidated statement of cash flows for six months period ended June 30, 2023

(In Saudi Riyals Thousands, unless otherwise indicated)

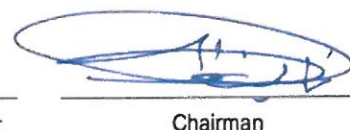
	June 30, 2023 (Unaudited)	June 30, 2022 (Unaudited)
Cash flows from operating activities		
(Loss) / profit before zakat	(31,488)	46,481
Adjustments to reconcile the net profit / (loss) to the net flow cash generated from operating activities:		
Depreciation of properties, equipment, investment properties and right-of-use assets	32,346	35,505
Amortization of intangible assets	2,026	1,668
Provision provided during the period against employees' defined benefit obligations	3,474	6,605
Share in profit of an associate	(9,280)	(8,613)
	<u>(2,922)</u>	<u>81,646</u>
Changes in operating assets and liabilities		
Trade receivables	(21,366)	22,235
Prepaid expenses and other debit balance	(130,671)	(9,363)
Developed properties	(98,142)	(437,681)
Inventories	17,249	(13,354)
Contract assets	106,646	13,363
Trade payables	47,206	27,977
Accrued expenses and other credit balance	25,747	16,008
Unearned revenue	66,420	10,104
Contract liabilities	(109,664)	(21,458)
Employees' defined benefit obligations paid	(1,267)	(6,512)
Zakat and Tax paid	(17,298)	(19,916)
Net Cash flows (used in) operating activities	<u>(118,062)</u>	<u>(336,951)</u>
Cash flows from investing activities		
Purchase of intangible assets	(216)	-
Purchase of properties, equipment and investment properties	(55,120)	(21,054)
Proceeds from disposal of investments in equity instruments designated at fair value	-	16,062
Dividends received from an associate	-	9,999
Net Cash flows (used in) / generated from investing activities	<u>(55,336)</u>	<u>5,007</u>
Cash flows from financing activities:		
Proceeds from loans from banks	-	438,823
Amounts paid against loans from banks and loan from Ministry of Finance	(65,349)	(708,732)
Equity share from dividends paid by a subsidiary	(12,000)	(8,000)
Proceeds from increase in share capital	-	1,572,700
Net cash flows (used in) / generated from financing activities	<u>(77,349)</u>	<u>1,294,791</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	<u>(250,747)</u>	<u>962,847</u>
Cash and cash equivalents at the beginning of the period	1,170,541	454,797
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>919,794</u>	<u>1,417,644</u>



Chief Financial Officer



Chief Executive Officer, Managing Director



Chairman

The accompanying notes from (1) to (15) 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 interim condensed consolidated financial statements for six months period ended June 30, 2023

(In Saudi Riyals Thousands, unless otherwise indicated)

1. GENERAL

1.1. 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-Akhirah 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 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.

1.2. Fiscal year

The Company follows the Gregorian calendar as its fiscal year so that the fiscal year begins on January 1 and ends on December 31 of the same year.

These interim condensed consolidated financial statements have been prepared to cover the second quarter and half quarter of the fiscal year ending on December 31, 2023. The interim condensed consolidated financial statements should be read in conjunction with the last annual consolidated financial statements of the Group, the fiscal year ending on December 31, 2022.

1.3. The Company's major activities

The Company is engaged in purchase and sale of land and property and divided them, sale activities on the map, management and rental of owned or leased property (residential and non-residential).

1.4. Subsidiaries

The interim condensed consolidated financial statements include the accounts of the Parent Company and the following subsidiaries, which are fully incorporated and operate in the Kingdom of Saudi Arabia:

Name		Principal activities	Year of incorporation	Ownership percentage	
				June 2023	December 2022
Saudi Real Estate Construction Company	i	Constructions and maintenance	2016	100%	100%
Saudi Real Estate Infrastructure Company	ii	Constructions and maintenance	2017	60%	60%
Saudi Korean Company for Maintenance and Properties Management	iii	Maintenance and operation	2017	60%	60%
Al Widyān Saudi Real State Company	iv	Developing Al Widyān project	2018	100%	100%
Alinma Alakaria Real Estate Fund	v	Development of real estate	2019	100%	100%
Hodood Real Estate Investment Company	vi	Not commenced its activities	2022	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.

(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, dam construction and maintenance and sale of prefabricated concrete.

Saudi Real Estate Company and its Subsidiaries

(A Saudi Joint Stock Company)

Notes to interim condensed consolidated financial statements for six months period ended June 30, 2023

(In Saudi Riyals Thousands, unless otherwise indicated)

1. GENERAL (Continued)

(iii) Saudi Korean Company for Maintenance and Properties Management is a mixed 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).

(iv) Al Widyah Saudi Real Estate Company is a closed joint stock company sole owner 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 a 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 assets of Fund 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) Hodood Real Estate Investment Company (sole owner limited liability company wholly owned by the Parent Company) with a capital of 10,000 Saudi Riyals. It was established during October 2022 under commercial registration number 101836057 dated on 24 October 2022 (corresponding to 28 Rabi' Al-Awwal 1444H) issued in Riyadh. Saudi Real Estate Company is engaged in transferring the title deeds of Alinma Alakaria Real Estate Fund to Hodood Real Estate which is fully owned by Parent Company.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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 should be read in conjunction with the last annual consolidated financial statements of the Group, for the year ended on 31 December 2022. The interim condensed consolidated financial statements do not include all the information and disclosures required to prepare annual consolidated financial statements in accordance with International Financial Reporting Standards but selected explanatory notes have been included to indicate material events and transactions to understand the changes in the financial position and financial performance of the Group since 31 December 2022. The Interim period is an integral part of the full fiscal year however, the results of the interim period operations may not be a fair indication of the results of the full year operations.

2.2. Basis of measurement

The interim condensed consolidated financial statements have been prepared using the accrual basis of accounting, going concern concept under the historical cost basis, except for investment in equity instruments designated at FVOCI and employees end of service benefits are recognized at the present value of future obligations using the Projected Unit Credit Method.

2.3. Functional and presentation currency

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.

2.4. Use of estimates and judgments

The preparation of these interim condensed consolidated financial statements requires management to make judgments, estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The significant estimates made by management when applying the Group's accounting policies and significant sources of estimation uncertainty are not materially different from those disclosed in the most annual consolidated financial statements.

Saudi Real Estate Company and its Subsidiaries

(A Saudi Joint Stock Company)

Notes to interim condensed consolidated financial statements for six months period ended June 30, 2023

(In Saudi Riyals Thousands, unless otherwise indicated)

2. BASIS OF PREPARATION (Continued)

2.5. BASIS OF CONSOLIDATION

The interim condensed consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2023 as mentioned in (note 1.4). 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
- The ability to use its power over the investee to affect its returns

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

- The contractual arrangement 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.

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 2022.

4. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

There are no new standards released during the period however, several amendments applied for the first time in 1 January 2023, which are detailed in the Consolidated Financial Statements as at 31 December 2022 but have no material effect on the Group's interim condensed consolidated financial statements, these amendments did not require a change in accounting policies or retroactive adjustments as a result of the application of these amended Standards to the Group's interim condensed consolidated financial statements as at 30 June 2023.

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(A Saudi Joint Stock Company)

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(In Saudi Riyals Thousands, unless otherwise indicated)

5. INVESTMENT PROPERTIES

Investment properties are stated at cost less accumulated depreciation. At the end of each financial year, the fair value of investments properties is measured according to the evaluation process carried out by independent valuers valuation performed by independent valuers accredited by Saudi Authority for Accredited valuers. All of the Company's assets are located in the Kingdom of Saudi Arabia. The following is the carrying value of the assets constituting investment properties as of:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Lands (note 5.1)	3,826,659	3,826,659
Buildings, net	843,919	861,367
Decoration and fixture	273,851	282,130
Capital work-in-progress (note 5.2)	450,850	411,000
	5,395,279	5,381,156

Investment properties include some building constructed on a land leased from the Royal Commission for Riyadh City under lease contracts ranging from 28 to 99 years. It also includes certain lands having carrying value of SR 2 billion are pledged against an Islamic loan from a local bank that is compatible with the provisions of the Sharia Committee of the bank.

5.1. 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 final results of the study by the assigned committees. In any case, the management do not expect to incur losses related to this matter.

5.2. Al Widyen project

During 2021, it came to management's attention that the land which was designated for the Al Widyen 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 do not expect to incur losses related to this matter.

6. INVESTMENT IN AN ASSOCIATE

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:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
At the beginning of the period / year	278,014	277,235
Share of the Company on the profits for period / year	9,280	17,000
Share of other comprehensive income for period / year	(530)	(6,222)
Dividends received during the period / year	-	(9,999)
At the end of the period / year	286,764	278,014

7. Developed properties

The table below shows the movement of the developed properties during the period / year:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
At the beginning of the period / year	992,035	554,405
Additions during the period / year	108,094	964,825
Cost of sales during period / year	(9,952)	(527,195)
At the end of the period / year	1,090,177	992,035

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7. Developed properties (Continued)

The table below shows the classification of the developed properties between current and non-current:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Current portion	982,689	69,565
Non-current portion	107,488	922,470
	1,090,177	992,035

8. SHARE CAPITAL

The Company's share capital amounting to SR 3,750 million as at 30 June 2023 and 31 December 2022 is divided into 375 million shares of SR 10 each.

During the year ended 31 December 2022, the Board of Directors has approved to raise a recommendation to the Extraordinary General Assembly in order to increase the share capital by SR 1.6 billion by offering initial rights for subscription and shares were offered to increase the share capital with the market value with sum of SR 11.8, value of each share, out of this increase a premium of capital issuance emerged with value of SR 243 million and subscription expenses of SR 20.3 million.

On May 18, 2022, the Extraordinary General Assembly has approved the increase in share capital from SR 2,400 million to SR 3,750 million, and the Company completed the offering procedures by collecting the entire capital increase. On the same year, the legal procedures to increase the share capital, commercial registration and Articles of Association have been completed.

9. TERM BANK LOAN

During 2016, the Company obtained loan from a local bank. 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 June 2034, 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 plot of land in exchange for the long-term loan granted to it.

10. LOAN FROM MINISTRY OF FINANCE

The following is a summary of the movement of MOF loans during the period / year:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
At the beginning of the period / year	1,189,355	1,318,419
Finance costs during the period / year	-	3,712
Paid during the period / year	(65,349)	(132,776)
At the end of the period / year	1,124,006	1,189,355

The balance of the loan from Ministry of Finance has been classified under current and non-current liabilities according to the instalment payment dates as follows:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Current portion	137,233	130,698
Non- current portion	986,773	1,058,657
	1,124,006	1,189,355

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11. ZAKAT AND TAX

The movement in provision for Zakat and tax for the period / year is as follows:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
At the beginning of the period / year	74,013	76,947
Charge for the period / year	14,980	18,166
Paid during the period / year	(17,298)	(21,100)
At the end of the period / year	71,695	74,013

The Group submitted its Zakat assessments for all years up to 2022 and paid the obligations accordingly, and obtained a zakat certificate valid until 30 April 2024.

The Company finalized its zakat status with Zakat, Tax and Customs Authority (ZATCA) until 2015.

ZATCA has issued an assessment from 2016 until 2020, which claimed the Company to pay differences amounting to SR 54 million. The Group has submitted its objection to these differences to ZATCA within the statutory period. ZATCA has rejected the Group's objections for those years, and therefore the Group escalated its objections to the General Secretariat of Tax Committees ("GSTC"), and no decision has been made yet.

On March 13, 2023, ZATCA has submitted a proposal for settlement and the Company has accepted it by retaining its legal right in proceeding the lawsuit in case of its rejection to the proposal of the settlement. The Company submitted the letter of settlement to the Committee for the Settlement of Zakat and Tax Disputes according to hearing session dated 22 June 2023, and the Company is still awaiting the committee's response.

12. (LOSS) / EARNING PER SHARE

Basic and diluted (loss) / earning per share is calculated by dividing the (loss) / profit 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 on June 30		For the six-month period ended on June 30	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
(Loss) / profit for the period attributable to equity holders of the Parent Company	(82,517)	45,307	(73,651)	15,856
Weighted average number of share outstanding	375,000	304,500	375,000	272,000
(Loss) / income per share for the period				
(Loss) / income Basic per share	(0.22)	0.15	(0.20)	0.06
(Loss) / income Diluted per share	(0.22)	0.15	(0.20)	0.06

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13. SEGMENTAL 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
- D. Headquarter

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 2023:	Residential	Commercial	Services	Headquarter	Total
Revenue	220,318	60,877	467,252	-	748,447
Operation cost	127,655	34,662	421,195	-	583,512
Total assets	2,400,217	5,410,418	537,495	454,569	8,802,699
30 June 2022:					
Revenue	449,252	115,491	305,194	-	869,937
Operation cost	385,602	39,560	243,885	-	669,047
31 December 2022:					
Total assets	2,413,903	5,441,269	540,560	457,161	8,852,893

14. SUBSEQUENT EVENTS

The management believes that there are no other significant subsequent events since the date of the company's interim condensed consolidated financial statements for the period ending on June 30, 2023 until the date of preparing these interim condensed consolidated financial statements that may have a material impact on the financial position of the company.

15. APPROVAL OF THE FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 19 Muharram 1445H (corresponding to 6 August 2023).