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 2021 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 2021
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 2021 and the related interim condensed consolidated statements of income and comprehensive income for the three-month and six-month periods ended 30 June 2021, and the related interim condensed consolidated statements of changes in equity and cash flows for the six-month 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") 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.

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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) (continued)

Emphasis of Matters

- We draw attention to note (3-a) to the interim condensed consolidated financial statements for the period ended 30 June 2021, 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 2021.

- 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 SR 856 million respectively as at 30 June 2021.

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

for Ernst & Young

Rashid S. Al-Rashoud
Certified Public Accountant
License No. (366)

ERNST & YOUNG & Co. (CERTIFIED PUBLIC ACCOUNTANTS) PROFESSIONAL LICENSE No. 45

Riyadh : 14 Muharram 1443H
(22 August 2021)

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 2021
(In Saudi Riyals Thousands, unless otherwise indicated)

	Note	*For the three-month period ended*		*For the six-month period ended*	
		30 June 2021	*30 June 2020*	***30 June 2021***	*30 June 2020*
CONTINUING OPERATIONS					
Revenue		**162,918**	95,796	**345,509**	193,917
Cost of revenue		**(100,791)**	(57,077)	**(234,309)**	(108,741)
GROSS PROFIT		**62,127**	38,719	**111,200**	85,176
General and administration expenses		**(36,865)**	(32,582)	**(72,924)**	(66,549)
Selling and marketing expenses		**(10,553)**	(9,230)	**(26,439)**	(13,940)
OPERATING INCOME (LOSS)		**14,709**	(3,093)	**11,837**	4,687
Financial charges		**(24,520)**	(3,830)	**(27,742)**	(8,333)
Impairment provision for prepayments and other receivables		**(800)**	(2,500)	**(800)**	(5,000)
Share in profit of an associate	4	**3,551**	3,778	**7,243**	7,703
Other income, net		**9,658**	4,885	**14,948**	6,251
INCOME (LOSS) BEFORE ZAKAT FROM CONTINUING OPERATIONS		**2,598**	(760)	**5,486**	5,308
Zakat	10	**(4,743)**	(2,557)	**(6,229)**	(9,667)
NET LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		**(2,145)**	(3,317)	**(743)**	(4,359)
Loss after zakat for the period from discontinued operations		**-**	(3,206)	**-**	(4,284)
NET LOSS FOR THE PERIOD		**(2,145)**	(6,523)	**(743)**	(8,643)
Attributable to:					
Equity holders of the parent		**(9,170)**	(4,652)	**(13,720)**	(7,558)
Non-controlling interests		**7,025**	(1,871)	**12,977**	(1,085)
		(2,145)	(6,523)	**(743)**	(8,643)
Loss per share (SR):					
Basic and diluted loss attributable to equity holders of the parent	11	**(0.04)**	(0.02)	**(0.06)**	(0.03)
Loss per share for continuing operations (SR):					
Basic and diluted loss from continuing operations for the period attributable to equity holders of the parent company	11	**(0.04)**	(0.01)	**(0.06)**	(0.02)

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 COMPREHENSIVE INCOME (Unaudited)

FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2021
(In Saudi Riyals Thousands, unless otherwise indicated)

	For the three-month period ended		*For the six-month period ended*	
	30 June 2021	*30 June 2020*	***30 June 2021***	*30 June 2020*
NET LOSS FOR THE PERIOD	**(2,145)**	(6,523)	**(743)**	(8,643)
OTHER COMPREHENSIVE INCOME (LOSS)				
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	**42,301**	26,560	**74,329**	(5,423)
Other comprehensive income (loss) for the period	**42,301**	26,560	**74,329**	(5,423)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	**40,156**	20,037	**73,586**	(14,066)
Attributable to:				
Equity holders of the parent	**33,131**	21,908	**60,609**	(12,981)
Non-controlling interests	**7,025**	(1,871)	**12,977**	(1,085)
	40,156	20,037	**73,586**	(14,066)

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 2021
(In Saudi Riyals Thousands, unless otherwise indicated)

	Notes	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property and equipment		**28,861**	35,078
Investments properties	3	**6,116,275**	6,032,906
Intangible assets		**9,355**	11,401
Investment in an associate	4	**249,907**	252,663
Investments in equity instruments designated at FVOCI		**355,164**	281,636
Investments designated at FVPL		**66,755**	66,755
Right-of-use assets		**72,462**	73,146
TOTAL NON-CURRENT ASSETS		**6,898,779**	6,753,585
CURRENT ASSETS			
Trade receivables		**217,500**	146,298
Prepayments and other receivables		**196,293**	103,667
Inventories		**4,203**	5,824
Cash and cash equivalents		**168,848**	523,319
TOTAL CURRENT ASSETS		**586,844**	779,108
Assets held for sale		**-**	5,845
TOTAL ASSETS		**7,485,623**	7,538,538
EQUITY AND LIABILITIES			
EQUITY			
Share capital	6	**2,400,000**	2,400,000
Statutory reserve	7	**720,000**	720,000
Contractual reserve		**10,051**	10,051
Accumulated losses		**(314,050)**	(262,914)
Other reserves		**68,204**	(6,125)
Equity attributable to equity holders of the parent company		**2,884,205**	2,861,012
Non-controlling interests		**25,715**	(21,744)
TOTAL EQUITY		**2,909,920**	2,839,268
NON-CURRENT LIABILITIES			
Term loans	8	**387,345**	516,687
Loan from a related party	9	**1,243,390**	1,301,636
Employees' defined benefit obligations		**22,582**	25,392
Lease liabilities		**73,453**	71,030
TOTAL NON-CURRENT LIABILITIES		**1,726,770**	1,914,745
CURRENT LIABILITIES			
Trade payables		**87,671**	92,264
Accruals and other liabilities		**244,755**	220,714
Unearned revenue		**162,125**	108,337
Term loans – current portion	8	**2,228,038**	2,294,262
Loan from a related party – current portion	9	**74,388**	-
Zakat provision	10	**51,956**	56,608
TOTAL CURRENT LIABILITIES		**2,848,933**	2,772,185
Liabilities directly associated with the assets held for sale		**-**	12,340
TOTAL LIABILITIES		**4,575,703**	4,699,270
TOTAL EQUITY AND LIABILITIES		**7,485,623**	7,538,538

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 CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021
(In Saudi Riyals Thousands, unless otherwise indicated)

	Attributable to equity holders of the parent company							
	Share capital	Statutory reserve	Contractual reserve	Accumulated losses	Other reserves	Total	Non-controlling interests	Total equity
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) income 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 adjustments	-	-	-	-	-	-	7,754	7,754
Disposal of a subsidiary (note 15)	-	-	-	-	-	-	1,612	1,612
Acquisition of minority interests (note 15)	-	-	-	(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 2020 (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 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

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 2021
(In Saudi Riyals Thousands, unless otherwise indicated)

	2021	2020
OPERATING ACTIVITIES		
Income before zakat from continuing operations	**5,486**	5,308
Loss before zakat from discontinued operations	**-**	(4,266)
Adjustments to reconcile income before zakat to net cash flows:		
Depreciation of properties, equipment, investment properties and right-of-use assets	**34,345**	35,945
Amortization of intangible assets	**2,046**	1,684
Provision of employees' defined benefit obligations	**3,477**	2,234
Share in profit of an associate	**(7,243)**	(7,703)
Impairment provision for prepayments and other receivables	**800**	5,000
Financial charges	**27,742**	8,333
Gain on disposal of a subsidiary	**(3,619)**	-
Charge of expected credit losses provision	**13,924**	7,314
	76,958	53,849
Working capital adjustments:		
Trade receivables	**(85,126)**	(76,129)
Prepayment and other receivables	**(95,482)**	(2,067)
Inventories	**1,621**	(1,566)
Trade payables	**(4,593)**	(8,042)
Accruals and other liabilities	**20,613**	73,831
Unearned revenue	**53,788**	19,498
Cash (used in) from operations	**(32,221)**	59,374
Employees' defined benefit obligations paid	**(2,466)**	(2,590)
Financial charges paid	**(49,871)**	(68,183)
Zakat paid	**(10,881)**	(1,377)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	**(95,439)**	(12,776)
INVESTING ACTIVITIES		
Purchase of properties and equipment	**(2,443)**	(2,971)
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	**(77,009)**	(69,344)
Proceeds from disposal of properties, equipment and investments properties	**945**	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(68,744)**	(62,316)
FINANCING ACTIVITIES		
Long-term and short-term loans, net	**(195,566)**	75,000
Loan from a related party	**16,142**	-
Acquisition of minority interests	**(4,300)**	-
Dividends issued by a subsidiary to non-controlling interests	**(8,000)**	-
Lease liabilities paid	**-**	(18,577)
NET CASH FLOWS (USED IN) FROM FINANCING ACTIVITIES	**(191,724)**	56,423
DECREASE IN CASH AND CASH EQUIVALENTS	**(355,907)**	(18,669)
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	**523,319**	184,480
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**168,848**	165,811

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.

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) 2021*	*2020*
Saudi Real Estate Construction Company	i	Saudi Arabia	Constructions and maintenance	2016	**100%**	**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 services	2017	**-**	**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). (note 15-b)

(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).

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). The subsidiary was disposed off during the year (note 15-a).

(v) 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.

(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 2020.

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 2021 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

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 2020. 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 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the interim condensed consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

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 2021	31 December 2020
Lands	**3,394,472**	3,394,472
Buildings, net	**1,227,460**	1,245,543
Capital work-in-progress	**1,494,343**	1,392,891
At the end of the period/year	**6,116,275**	6,032,906

During the six-month period ended 30 June 2021, additions to the investment properties amounted to SR 109 million (30 June 2020: SR 125 million), and the depreciation for the period amounted to SR 25 million (30 June 2020: SR 25 million).

Investment properties are stated at cost less accumulated depreciation. The fair value of properties as at 31 December 2020: SR 10.1 billion 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.

The lands include lands having carrying value of SR 2 billion (2020: 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 2021 (31 December 2020: SR 417 million).

b) Development regarding Al Widyan project

During the current period, it came to management's attention that the land included in the Company's Al Widyan project is located within an area that is currently under study by the relevant government agencies with the aim of developing it, which may result into a fundamental change to the original project's plan and may impact the land's realisable value. The effect of the extent of this study remains uncertain and dependent on future developments by the relevant government agencies' plan. Management will continue to assess the impact of the developments on the interim condensed consolidated financial statements. The carrying value of the related land and capital works-in-progress as at 30 June 2021 amounted to SR 2,168 million and SR 856 million respectively (31 December 2020 SR 2,168 million and SR 829 million respectively).

As at 30 June 2021, an amount of SR 24.5 million (31 December 2020: SR 102 million) was capitalised as cost of borrowing for the construction of the project under constructions. Due to the suspension of the of Al Widyan project, during the period ended 30 June 2021 the Group has decided to stop capitalising the borrowing costs related to the project.

4. INVESTMENT IN AN ASSOCIATE

The Group owns 16.67% interest as on 30 June 2021 and 31 December 2020 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 2021	31 December 2020
At the beginning of the period/year	**252,663**	243,141
Share of profits for period/year	**7,243**	16,042
Dividends received	**(9,999)**	(9,999)
Other	-	3,479
At the end of the period/year	**249,907**	252,663

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 period ended	
Compensation paid to key management personal	**30 June 2021**	30 June 2020
Executive salaries and allowances	**13,006**	9,471
Attendance allowance and committees remuneration	**2,606**	5,633
	15,612	15,104

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 2,400 million as at 30 June 2021 is divided into 240 million shares (31 December 2020: 240 million shares) of SR 10 each.

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. Since such has been achieved, the Company has decided to discontinue such transfer. This reserve is not available for distribution.

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 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 2021, in accordance with the disclosure requirements of IAS 1 Presentation of Financial Statements, an amount of SR 2,078 million (31 December 2020 SR 2,069 million) has been classified as current liability. The bank have agreed to defer the repayment of SR 450 million to October 2021.

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 first instalment was due in May 2021 amounting to SR 130 million which the Group has paid. The long-term loan granted to the Group is secured by the Group's collateralized land.

8. SHORT-TERM AND LONG-TERM LOANS (continued)

During 2020, the Group acquired a short-term Islamic loan facility from a local bank amounting to SR 100 million out of which the Group have utilised SR 20 million as at 30 June 2021 (31 December 2020: 85 million). The loan is obtained 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 2021, an amount of SR 17.3 million (30 June 2020: SR 43 million) was capitalised as cost of borrowing for the construction of the project under constructions.

9. 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 will be subject to financial covenants regarding debt to equity ratio, liquidity ratio and debt coverage ratio starting from the date of the first instalment.

Borrowing costs capitalised during the period ended 30 June 2021 amounted to SR 7.2 million (30 June 2020: SR 14 million)

10. ZAKAT

The movement in provision for Zakat is as follows:

	30 June 2021	31 December 2020
At the beginning of the period/year	**56,608**	37,837
Charge for the period/year	**6,229**	25,304
Charge for the period/year relating to assets held for sale	**-**	18
Paid during the period/year	**(10,881)**	(6,359)
Reclassified to liabilities directly associated with the assets held for sale	**-**	(192)
At the end of the period/year	**51,956**	56,608

The Group submitted its Zakat assessments for all years up to 2019 and paid the obligations accordingly. Zakat returns assessments from Zakat, Tax and Customs Authority was approved for all years until 2018.

11. LOSS 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	
	2021	2020
Loss for the period attributable to equity holders of the parent:		
Continued operations	**(9,170)**	(2,729)
Discontinued operations	**-**	(1,923)
	(9,170)	(4,652)
Weighted average number of ordinary shares (share)	**240,000**	240,000
Basic and diluted loss earnings per share (SR)	**(0.04)**	(0.02)
Basic and diluted loss per share for continuing operations (SR)	**(0.04)**	(0.01)

11. LOSS PER SHARE (continued)

	For the six month-period ended 30 June	
	2021	2020
Loss for the period attributable to equity holders of the parent:		
Continued operations	**(13,720)**	(4,988)
Discontinued operations	**-**	(2,570)
	(13,720)	(7,558)
Weighted average number of ordinary shares (share)	**240,000**	240,000
Basic and diluted loss earnings per share (SR)	**(0.06)**	(0.03)
Basic and diluted loss per share for continuing operations (SR)	**(0.06)**	(0.02)

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 2021 amounted to SR 27 million (31 December 2020: SR 81 million).

Potential liabilities

- White idle lands claims

As of 30 June 2021, 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 2021 status of these appeals are as follows:

- Administrative court's final ruling in favor of the Group, cancelling fees amounting to SR 115 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;
- Administrative court's preliminary ruling in favor of the Group, cancelling fees amounting to SR 34 million;
- Cases amounting to SR 40 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

Legal cases
In 2015, the Company entered into a multilateral 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 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 prior year, a lawsuit was filed by Saudi Limitless for Real Estate Development Company against the Company and the other parties for the value of the land to enforce the agreement. In October 2020 the case was decided in favour of the Company. The counter party has not filed appeal against the court ruling.

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.

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 2021:	**Residential**	**Commercial**	**Services**	**Headquarter**	**Total**
Revenue	**67,807**	**266,700**	**11,002**	-	**345,509**
Operation cost	**27,225**	**199,505**	**7,579**	-	**234,309**
Assets	**1,763,838**	**2,064,763**	**37,465**	**3,619,557**	**7,485,623**
30 June 2020**:**					
Revenue	64,319	69,782	59,816	-	193,917
Operation cost	31,785	38,688	38,268	-	108,741
31 December 2020**:**					
Assets	1,688,584	2,676,153	46,987	3,126,814	7,538,538

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 2021 and 31 December 2020:

	Carrying Amount	**(level 1)**	**(level 2)**	**(level 3)**	**Fair value**
As at 30 June 2021:					
Financial assets measured at fair value:					
Investments in equity instruments designated at FVOCI	**355,164**	**40**	**180,423**	**174,701**	**355,164**
Investments designated at FVPL	**66,755**	**-**	**66,755**	**-**	**66,755**
	421,919	**40**	**247,178**	**174,701**	**421,919**
As at 31 December 2020:					
Financial assets measured at fair value:					
Investments in equity instruments designated at FVOCI	281,636	38	93,436	188,162	281,636
Investments designated at FVPL	66,755	-	66,755	-	66,755
	348,391	38	160,191	188,162	348,391

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. DISPOSAL OF A SUBSIDAIRY AND ACQUISITION OF NON-CONTROLLING INTERESTS

A- Disposal of a subsidiary

During the current period, the Group has sold its entire shares of Alakaria Hanmi for Project Management.

The carrying value of the net liability of the subsidiary disposed as at the selling date and sale consideration are as follow:

	Carrying value
Assets	
Property and equipment	**858**
Trade receivables	**408**
Due to related parties	**4,873**
Prepayments and other receivables	**1,126**
Cash and cash equivalents	**1,436**
Total assets	**8,701**
Liabilities	
Employees' defined benefit obligations	**872**
Trade payables	**3,669**
Due from related parties	**7,257**
Accruals and other liabilities	**742**
Zakat provision	**192**
Total liabilities	**12,732**
Net liabilities relating to the subsidiary disposed	**(4,031)**
Net liabilities attributable to the Company relating to the subsidiary disposed	**(2,419)**
Net liabilities attributable to the minority interest relating to the subsidiary disposed	**(1,612)**
Sale consideration received	**1,200**
Gain on disposal of subsidiary	**3,619**

Analysis of cash flows on disposal:

	SR
Cash consideration received	1,200
Net cash disposed with the subsidiary	(1,436)
Net cash outflow on disposal of a subsidiary	**(236)**

15. DISPOSAL OF A SUBSIDAIRY AND ACQUISITION OF NON-CONTROLLING INTERESTS (continued)

B- Acquisition of non-controlling interest

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 million was paid to the non-controlling interests. The carrying value of the additional interests in Saudi Real Estate Construction Company was SR 33,116 million (net liability position). Difference between carrying value of the additional interest and consideration paid to non-controlling interests amounting to SR 37,416 million was recognised in the consolidated statement of changes in equity under accumulated losses.

16. 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 2021, the interim condensed consolidated statement of financial position shows an excess of current liabilities over current assets of SR 2,262 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 following:

- Using the existing cash and bank balances available with the Group;
- Sale of investments in equity instruments designated at FVOCI and investments designated at FVPL; and
- Sale of investment properties under construction and lands.

17. IMPACT OF CORONAVIRUS (COVID-19) OUTBREAK

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.

18. RECLASSIFICATION IN COMPARATIVE NUMBERS

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

19. 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 14 Muharram 1443H (corresponding to 22 August 2021).