Rights Issue Prospectus

Saudi Real Estate Company

العقارية
AL AKARIA

The Saudi Real Estate Company is a Saudi joint stock company incorporated by Royal Decree No. M/58 dated 17/07/1396H (corresponding to 15/07/1976G) and the Council of Ministers Resolution No. 1295 dated 16/07/1396H (corresponding to 14/07/1976G) and registered under Commercial Registration No. 1010012539 issued in Riyadh on 17/06/1397H (corresponding to 04/06/1977G).

Offering of one hundred thirty-five million (135,000,000) Ordinary Shares with a nominal value of SAR (10) per share and an Offer Price of SAR (11.8) per share through a Rights Issue with a total nominal value of one billion three hundred and fifty million (1,350,000,000) Saudi Riyals, representing an increase in the Company's capital by 56.25%, whereby the Company's capital shall be three billion seven hundred and fifty million (3,750,000,000) Saudi Riyals.

Trading Period: starts on Monday 29/10/1443H (corresponding to 30/05/2022G) and ends on Monday 07/11/1443H (corresponding to 06/06/2022G).

Subscription Period: starts on Monday 29/10/1443H (corresponding to 30/05/2022G) and ends on Thursday 10/11/1443H (corresponding to 09/06/2022G).

The Saudi Real Estate Company ("**Al Akaria**" or the "**Company**") is a Saudi joint stock company incorporated by Royal Decree No. M/58 dated 17/07/1396H (corresponding to 15/07/1976G) and the Council of Ministers Resolution No. 1295 dated 16/07/1396H (corresponding to 14/07/1976G) and registered under Commercial Registration No. (1010012539) issued in Riyadh on 17/06/1397H (corresponding to 04/06/1977G), with its head office being located in Riyadh and current capital of two billion four hundred million (2,400,000,000) Saudi Riyals, divided into two hundred and forty million (240,000,000) Ordinary Shares with a fully paid nominal value of ten (10) Saudi Riyals per share (the "**Current Shares**").

As of the date of this Prospectus, the Company has one Substantial Shareholder (those who own 5% or more of the Company's shares), the Public Investment Fund which owns 64.57% of the Company's capital. It should be noted that the Public Investment Fund has undertaken to subscribe in all of its portion of the Rights Shares.

The Company was incorporated on 17/06/1397H (corresponding 04/06/1977G) with a capital of six hundred million (600,000,000) Saudi Riyals divided into six million (6,000,000) Ordinary Shares with a nominal value of one hundred (100) Saudi Riyals per share. Upon incorporation, the Company offered fifty percent (50%) of its capital for public subscription and its shares started trading pursuant to the Council of Ministers Resolution by which the Company was incorporated. On 29/12/1419H (corresponding to 15/04/1999G), the Extraordinary General Assembly agreed to split each share into two (2) shares, whereby the Company's capital became six hundred million (600,000,000) Saudi Riyals, divided into twelve million (12,000,000) shares of equal value with a nominal value of fifty (50) Saudi Riyals per share. On 21/02/1427H (corresponding to 21/03/2006G), a directive was issued by the Capital Market Authority pursuant to a resolution of the Council of Ministers that the nominal value of the shares of joint stock companies shall be ten (10) Saudi Riyals. Accordingly, the Company's shares were split by dividing each share into five (5) shares so that all the Company's shares would have equal value with a nominal value of ten (10) Saudi Riyals per share. As a result, the Company's capital continued to be six hundred million (600,000,000) Saudi Riyals, and the number of the Company's issued shares became sixty million (60,000,000) Ordinary Shares of equal value amounting to ten (10) Saudi Riyals per share. The Company's Extraordinary General Assembly on 24/08/1427H (corresponding to 17/09/2006G) approved the increase of its capital from six hundred million (600,000,000) Saudi Riyals to one billion and two hundred million (1,200,000,000) Saudi Riyals through (i) issuing a capitalization by granting thirty million (30,000,000) bonus shares, and (ii) offering thirty million (30,000,000) rights issue shares. The Company's Extraordinary General Assembly was held on 14/10/1439H (corresponding to 28/06/2018G), whereby it approved the increase of the Company's capital from one billion two hundred million (1,200,000,000) Saudi Riyals to two billion four hundred million (2,400,000,000) Saudi Riyals through issuing a capitalization by granting bonus shares.

On 26/02/1443H (corresponding to 13/09/2021G), the Company announced a resolution issued by the Board of Directors in its meeting held on Monday 26/02/1443H (corresponding to 13/09/2021G) to make a recommendation to the Extraordinary General Assembly to increase the Company's capital by issuing rights issue shares with a total value of one billion six hundred million (1,600,000,000) Saudi Riyals, subject to the necessary regulatory approvals, including the approval of the Company's Extraordinary General Assembly. On 08/05/1443H (corresponding to 12/12/2021G), the Company announced the Board of Directors' resolution to amend said recommendation to increase the Company's capital by issuing rights issue shares with a total value of one billion five hundred and ninety-three million (1,593,000,000) Saudi Riyals. On 17/10/1443H (corresponding to 18/05/2022G), the Company's Extraordinary General Assembly approving increasing the Company's capital through a Rights Issue by offering one hundred thirty-five million (135,000,000) Ordinary Shares with a nominal value of (10) Saudi Riyals per share (the "**New Shares**" or "**Rights Shares**") at an offer price of SAR 11.8 per share (the "**Offer Price**") with a total offering value of one billion five hundred and ninety-three million (1,593,000,000) Saudi Riyals to increase the Company's capital from two billion four hundred million (2,400,000,000) Saudi Riyals to three billion seven hundred and fifty million (3,750,000,000) Saudi Riyals and the number of the Company's shares from two hundred and forty million (240,000,000) Ordinary Shares to three hundred and seventy-five million (375,000,000) Ordinary Shares, subject to the necessary regulatory approvals, including the approval of the Company's Extraordinary General Assembly (the "**EGM**").

Rights will be issued as tradable securities (collectively, the "**Rights**" and each a "**Right**") to Shareholders who own shares as the end of the trading day on which the EGM relating to the Capital Increase is held and who are registered in the Company's shareholder register with the Securities Depository Center Company ("**Edaa**") relating to the end of the second trading day following the day on which the EGM relating to the Capital Increase held on 17/10/1443H (corresponding to 18/05/2022G) (the "**Eligibility Date**") (collectively, the "**Registered Shareholders**" and each a "**Registered Shareholder**"), provided that such Rights shall be deposited in the Registered Shareholders' portfolios after the EGM on the Capital Increase is held (taking into account the settlement procedures) with a number of (0.5625) Rights for each (1) Share. Each Right shall entitle its holder to subscribe to one new share at the Offer Price. Registered Shareholders and other investors ("**New Investors**"), who are eligible to trade and subscribe to the Rights and New Shares, may trade in the Rights and subscribe to the Rights Shares on the Saudi Exchange (the "**Exchange**"). The Trading Period and Subscription Period start on Monday 29/10/1443H (corresponding to 30/05/2022G), provided that the Trading Period shall end on Monday 07/11/1443H (corresponding to 06/06/2022G) (the "**Trading Period**") and the Subscription Period shall continue until the end of the Thursday 10/11/1443H (corresponding to 09/06/2022G) (the "**Subscription Period**"). It should be noted that the Trading Period and the Subscription Period will start on the same day. However, the Trading Period will continue until the end of the sixth day from the start date, and the Subscription Period will continue until the end of the ninth day from the start date.

The Registered Shareholders may trade in the Rights during the Trading Period by selling all or part of the Rights or buying additional Rights through the Exchange. During the Trading Period, new investors may also buy Rights through the Exchange and sell Rights that are purchased during the Trading Period.

New Shares may be subscribed to during the Subscription Period at one stage as follows: (1) In this Period, all Registered Shareholders and New Investors may subscribe to the New Shares; (2) A Registered Shareholder will be able to directly subscribe to New Shares that are equal to the number of Rights allocated to them or a part of such Rights during the Subscription Period. If a Registered Shareholder purchases new Rights, it will be able to subscribe to them after the end of the Rights Purchase Settlement Period (two (2) business days after the new Rights are purchased). (3) New investors who purchased Rights during the Trading Period will be able to subscribe to the New Shares after the end of the Rights Purchase Settlement Period (two (2) business days after the new Rights are purchased). (4) Subscription may be made online through investment portfolios in trading platforms and applications, through which the purchase and sale orders are entered, as well as through other channels and means provided by the broker.

If there are unsubscribed shares after the end of the Subscription Period (the "**Rump Shares**"), such shares will be offered to a number of institutional investors (the "**Institutional Investors**"). Such Institutional Investors will submit their offers to purchase Rump Shares and such offers will be received starting at 10:00 a.m. on Tuesday 15/11/1443H (corresponding to 14/06/2022G) until 5:00 p.m. on Wednesday 16/11/1443H (corresponding to 15/06/2022G) (the "**Rump Offering Period**"). The Rump Shares will be allocated to the Institutional Investors in order of priority based on the price per Share offered (provided that it may not be less than the Offer Price) with Shares being allocated on a pro-rata basis to Institutional Investors that provided offers at the same price. Fractional Shares will be added to the Rump Shares and treated in the same manner. The Company shall receive the total Offer Price obtained from the offering of the Rump Shares and fractional shares. The sale proceeds of the Rump Shares and the fractional shares (i.e. in excess of the Offer Price) shall be distributed to the eligible persons, as per entitlement, no later than Thursday 01/12/1443H (corresponding to 30/06/2022G).

In the event that Institutional Investors do not subscribe to all the Rump Shares, the Rump Shares will be allocated to the Underwriter that will subscribe to them at the Offer Price. The final allocation of the new shares will be made no later than Sunday 20/11/1443H (corresponding to 19/06/2022G) ("**Allocation Date**") (please see Section 12 "**Details on Shares and Subscription Terms and Conditions**").

Upon the completion of the Offering and subscription process, the Company's capital will be three billion seven hundred and fifty million (3,750,000,000) Saudi Riyals divided into three hundred and seventy-five million (375,000,000) Ordinary Shares. The net proceeds of the Offering will be used to finance and implement the Company's future plans and projects and expand its various activities, in addition to repaying part of the Company's credit facilities (for more details regarding the use of proceeds, please see Section 6 "**Offering Proceeds**").

The Company has one class of shares. No Shareholder shall have any preferential rights. The New Shares will be fully paid and be exactly equal to the Existing Shares. Each Share entitles its holder to one vote. Each Shareholder of the Company (the "**Shareholder**") shall have the right to attend and vote at the Company's general assembly meetings. Holders of the New Shares will be entitled to any dividends declared by the Company after the new shares are issued.

The Company applied to the Capital Market Authority in the Kingdom of Saudi Arabia ("**CMA**") for the registration and offering of the New Shares. The Company also applied to the Saudi Exchange for the admission of the New Shares. All the required documents have been submitted. All the requirements of the relevant authorities have been met, and this Prospectus has been approved. Trading in the New Shares is expected to commence on the Exchange shortly after the final allocation of the New Shares (please see page xii "**Key Dates and Subscription Procedures**"). Upon the registration and admission of the New Shares, trading will be made available to Saudi nationals, non-Saudi nationals holding valid residency permits in the Kingdom, GCC nationals, and Saudi and GCC companies and investment funds. Qualified Foreign Financial Institutions (under QFI Rules), as well as Strategic Foreign Investors (under FSI Instructions) will be able to trade in the Shares. Furthermore, other categories of foreign investors are entitled to the economic benefits associated with the New Shares by concluding swap agreements with Capital Market Institutions licensed by the CMA. In this case, the Capital Market Institution will be the registered legal owner of the Shares.

This Prospectus should be read in its entirety and the "**Important Notice**" section and Section 2 "**Risk Factors**" of this Prospectus should be carefully considered prior to making any decision to invest in the New Shares or Rights.

Financial Advisor,
Lead Manager and Underwriter

SNB كابيتال

This Prospectus includes information provided as part of the application for registration and offer of securities in compliance with the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority (the "**CMA**") and the application for the listing of securities in compliance with the Exchange's Listing Rules. The Directors, whose names appear on page iv, collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading. The CMA and the Saudi Exchange do not take any responsibility for the contents of this Prospectus, do not make any representations as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss arising from or incurred in reliance upon any part of this Prospectus.

"This unofficial English language translation of the official Arabic language Prospectus is provided for information purposes only. The Arabic language Prospectus published on the CMA's website (www.cma.org.sa) remains the only official, legally binding version and shall prevail in the event of any conflict between the two texts".

This Prospectus is dated 19/09/1443H (corresponding to 20/04/2022G) .

العقارية
AL AKARIA

45 YEARS

SINCE 1976

92000 39 38
www.al-akaria.com
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Important Notice

This Prospectus (the "**Prospectus**") contains the full details of the Company and the Offer Shares. When applying for New Shares, investors will be treated as applying solely on the basis of the information contained in this Prospectus, a copy of which can be obtained from the Company's head office or Financial Advisor or by visiting the websites of the Company (www.al-akaria.com), Financial Advisor (www.alahlicapital.com) and Capital Market Authority (www.cma.org.sa).

Having been approved by CMA, this Prospectus has been published, and it will be made available to the public no less than fourteen (14) days prior to the date of the EGM relating to the Capital Increase. If the Extraordinary General Assembly does not approve within six (6) months from the date of the CMA's approval of the registration and offering of the Rights Shares, the CMA's approval shall be deemed null and void. The Company appointed SNB Capital as a Financial Advisor, Lead Manager and Underwriter, in relation to the New Shares to be offered for subscription under this Prospectus.

This Prospectus includes information given in compliance with the ROSCOs. The Directors, whose names appear on page iv of this Prospectus, collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading. The CMA and the Saudi Exchange do not take any responsibility for the contents of this Prospectus, do not make any representations as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss arising from or incurred in reliance upon any part of this Prospectus.

While the Company has made all reasonable inquiries to confirm the validity of the information contained in this Prospectus as of the date of its publication, a substantial portion of the market and industry information herein are derived from third-party sources. While the Company, Directors, Financial Advisor or the Market Consultant whose names appear on page vi of this Prospectus (the "**Advisors**") have no reason to believe that any of the information provided about the market and the sector is materially inaccurate, this information has not been independently verified. Therefore, no representation or warranty can be made as to the accuracy or completeness of this information.

The information contained in this Prospectus as of the date hereof is subject to change. In particular, the financial position of the Company and the value of the New Shares may be adversely affected by any future developments such as inflation, interest rates, taxation, any changes in laws and regulations, and other economic, political and other factors, over which the Company has no control. In addition, several other factors specific to the market, the Company, and the Offering may affect the information, financial position and value of the New Shares (for more details, please see Section 2 "**Risk Factors**"). Neither this Prospectus nor any oral or written communication in relation to the New Shares is intended to be, nor should be construed as or relied upon in any way as, a promise, affirmation or representation as to the Company's future profits, results or events.

This Prospectus may not be regarded as a recommendation by the Company, the Directors, or any of its Advisors to subscribe to the New Shares. Moreover, information provided in this Prospectus is of a general nature and has been prepared without taking into account investment objectives, financial condition or investment needs of people who are willing to invest in the Rights and New Shares. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining independent professional advice from a financial adviser licensed by the CMA in relation to the subscription for the New Shares to evaluate the appropriateness of the investment and information herein contained with regard to the recipient's respective objectives, financial conditions and needs.

All Registered Shareholders and New Investors who are entitled to trade in Rights and subscribe to the New Shares will be able to trade in and subscribe to Rights Shares on the Exchange. The Trading Period and the Subscription Period start on Monday 29/10/1443H (corresponding to 30/05/2022G), provided that the Trading Period ends on Monday 07/11/1443H (corresponding to 06/06/2022G), and the Subscription Period shall continue until the end of Thursday 10/11/1443H (corresponding to 09/06/2022G). It should be noted that the Trading Period and the Subscription Period will start on the same day. However, the Trading Period will continue until the end of the sixth day from the start date, and the Subscription Period will continue until the end of the ninth day from the start date.

The Registered Shareholders may trade in the Rights during the Trading Period by selling all or part of the Rights acquired or buying additional Rights through the Exchange. During the Trading Period, new investors may also buy Rights through the Exchange and sell Rights that are purchased during the Trading Period.

New Shares may be subscribed for during the Subscription Period at one stage as follows:

1. During this Period, all Registered Shareholders and New Investors may subscribe to the New Shares;
2. A Registered Shareholder will be able to directly subscribe to new shares that are equal to the number of Rights allocated to them or a part of such Rights during the Subscription Period. If a Registered Shareholder purchases new Rights, it will be able to subscribe to them after the end of the Rights Purchase Settlement Period (two (2) business days after the new Rights are purchased).
3. New investors who purchased Rights during the Trading Period will be able to subscribe to the new shares after the end of the Rights Purchase Settlement Period (two (2) business days after the new Rights are purchased).
4. Online subscription will be made available online through investment portfolios in trading platforms and applications, through which purchase and sale orders are entered, as well as through other channels and means provided by the broker.

If there are unsubscribed shares after the end of the Subscription Period (the “**Rump Shares**”), such shares will be offered to a number of institutional investors (the “**Institutional Investors**”). Such Institutional Investors will submit their offers to purchase Rump Shares and such offers will be received starting at 10:00 a.m. on Tuesday 15/11/1443H (corresponding to 14/06/2022G) until 5:00 p.m. on Wednesday 16/11/1443H (corresponding to 15/06/2022G) (the “**Rump Offering Period**”). The Rump Shares will be allocated to the Institutional Investors in order of priority based on the price per Share offered (provided that it may not be less than the Offer Price) with Shares being allocated on a pro-rata basis to Institutional Investors that provided offers at the same price. Fractional Shares will be added to the Rump Shares and treated in the same manner. The Company shall receive the total Offer Price obtained from the offering of the Rump Shares and fractional shares. The sale proceeds of the Rump Shares and the fractional shares (i.e. in excess of the Offer Price) shall be distributed to the Eligible Persons, as per entitlement, no later than Thursday 01/12/1443H (corresponding to 30/06/2022G).

In the event that the Rump Shares are not purchased by the Institutional Investors, such shares will be allocated to the Underwriter that will subscribe to the same at the Offer price (please see Section 12 “**Details on Shares and Subscription Terms and Conditions**”). The final allocation of the New Shares will be announced no later than Sunday 20/11/1443H (corresponding to 19/06/2022G) (please see Section 12 “**Details on Shares and Subscription Terms and Conditions**”).

The offering of the Rights Shares under this Prospectus shall be contingent upon the Company obtaining the necessary regulatory approvals, including the Shareholders’ approval to increase the Company’s capital through a Rights Issue. If the Shareholders do not approve the Company’s capital increase, the issue of Rights Shares shall be automatically terminated, and this Prospectus shall be null and void. In this case, the Shareholders will be notified thereof.

The recipient of this Prospectus is required to inform themselves of, and observe, any regulatory and legal restrictions in relation to the trading in the Rights and the subscription to the New Shares.

Industry and Market Information

The information and data related to the real estate industry in the Kingdom contained on page xviii of the reports prepared by CBRE Rowad Al-Riyadh Real Estate Valuation Company (“**CBRE Saudi Arabia**” or “**Market Consultant**”) was obtained on 24/11/2021G and 11/17/2021G, which is presented exclusively to the Company. The information in the reports is based on assumptions that are subject to change, which may result in a change in the information itself. The Company believes that the information and data derived from the reports prepared by the Market Consultant can be relied upon. However, the Company, the Directors and the Advisors have not independently verified the accuracy of this information and data. Therefore, no representation or warranty can be made as to the accuracy of completeness of this information. Accordingly, neither the Company nor its Directors or advisors shall be liable for the accuracy and completeness of any such information.

CBRE is the world’s largest commercial real estate and investment services company, with 530 offices in more than 100 countries, representing a tremendous resource for its customers. The Company and its Subsidiaries employ nearly 100,000 employees worldwide in more than 100 countries. CBRE is one of the 500 largest US companies in terms of revenue, according to Fortune since 2008G, and is ranked 128th in 2020G. In addition, CBRE has been voted by Lipsey as the Best Brand in the Industry for 20 consecutive years and named by Fortune as one of the “Most Admired Companies” for 9 consecutive years. It was ranked first in the real estate sector in 2021G for the third year in a row. It should be noted that the Company’s shares are traded on the New York Stock Exchange with the symbol of CBRE.

Financial Information

The Company’s financial statements for the years 2018G, 2019G and 2020G and the six-month period ended June 30, 2021G-and the accompanying notes—have been prepared in accordance with the International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA), and as required by the Companies Law and the Company’s Bylaws.

The Company publishes its financial statements in Saudi Riyals. In this Prospectus, any reference to “SAR” or “Saudi Riyals” shall mean the currency of the Kingdom, unless the context indicates otherwise.

In this Prospectus, numbers are presented in Saudi Riyals. The figures included in the financial statements, if aggregated, may differ from those contained in this Prospectus due to rounding. Accordingly, the financial statements contained in this Prospectus may differ from the information contained in the financial statements. It should also be noted that some numbers and percentages contained in this Prospectus are rounded. Accordingly, figures shown for the same category presented in different tables may differ slightly, and figures shown as totals in certain tables may not be an arithmetic average of the aggregation of the previous figures. To the Company’s best knowledge and belief, the statistical information contained in this Prospectus is the most recent information available from the relevant source.

Forecasts and Forward-Looking Statements

Future forecasts and estimates contained in this Prospectus have been prepared on the basis of specific assumptions, and future operating conditions may differ from the assumptions used. Consequently, no affirmation, representation, or warranty is made with respect to the accuracy or completeness of any of these forecasts.

Certain statements in this Prospectus constitute forward-looking statements. Such statements may generally be identified by the use of forward-looking words such as "plan," "estimate," "expect," "see," "predict," or "may," "will," "should," "is likely to," "would be," or similar expressions, including variations and the negatives thereof or comparable terminology. These forward-looking statements reflect the current views of the Company with respect to future events and are not a guarantee of future performance, as there are many factors that could affect the actual performance, achievements or results of the Company and cause them to be significantly different from expected results, performance or achievements that may be expressed or implied by such forward-looking statements. Some of the risks and factors that could have such an effect are described in more detail in other sections of this Prospectus, particularly Section 2 "**Risk Factors**." Should any one or more of the risks or uncertainties materialize or any underlying assumptions prove to be inaccurate or incorrect, actual results may materially differ from those described in this Prospectus.

Subject to the requirements of the Rules on the Offer of Securities and Continuing Obligations issued by CMA, the Company must submit a supplementary prospectus to the CMA if, at any time after the Prospectus has been approved by the CMA and before the offering of the New Shares is completed, the Company becomes aware that: (a) there has been a significant change in material matters mentioned in this Prospectus, or (b) any significant issues have arisen that should have been included in this Prospectus.

Except in the aforementioned circumstances, the Company does not intend to update or otherwise revise any information in this Prospectus, whether as a result of new information, future events or otherwise. As a result, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Company expects, or at all. Accordingly, prospective investors should consider all forward-looking statements in the light of these explanations and should not place undue reliance on forward-looking statements.

Table of Contents

Corporate Directory

Directors:

Table No. (1): Details of Board of Directors

Name	Position	Nationality	Age	Capacity	Representation	Number of shares held		Shareholding (%)		Appointment Date
						Direct	*Indirect	Direct	*Indirect	
Mr. Naif bin Saleh Al Hamdan	Chairman	Saudi	39	Non-Executive / Non-Independent	PIF	N/A	N/A	N/A	N/A	31/01/2022G
Mr.Faisal Dhahir Al Enaze	Director	Saudi	36	Non-Executive/ Non-Independent	PIF	N/A	N/A	N/A	N/A	31/01/2022G
Mr. Fahad Abdulrahman Al Mojel	Vice President	Saudi	54	Non-Executive/ Non-Independent	PIF	N/A	N/A	N/A	N/A	31/01/2022G
Mr. Ibrahim bin Mohammed Al Alwan**	Director	Saudi	48	Executive/ Non-Independent	PIF	N/A	N/A	N/A	N/A	31/01/2022G
Mr. Faisal Farkad Al Khani	Director	Saudi	38	Non-Executive/ Non-Independent	PIF	N/A	N/A	N/A	N/A	31/01/2022G
Mr. Fahad Ibrahim Al Hammad	Director	Saudi	55	Non-Executive/ Independent	N/A	N/A	N/A	N/A	N/A	31/01/2022G
Mr. Mohammed Musfir Al Malki	Director	Saudi	48	Non-Executive/ Independent	N/A	N/A	N/A	N/A	N/A	31/01/2022G
Mr. Mohammed Abdullah Al Smari	Director	Saudi	44	Non-Executive/ Independent	N/A	N/A	N/A	N/A	N/A	31/01/2022G
Mr. Hisham Hussain Al Khaldi	Director	Saudi	44	Non-Executive/ Independent	N/A	N/A	N/A	N/A	N/A	31/01/2022G

Source: The Company

* The shares owned by the Directors indirectly in the Company through their ownership in companies that own shares in the Company, or the shares owned by the Relatives of the Directors directly or through their ownership in companies owning shares in the Company.

** Mr. Ibrahim Al Alwan is the Managing Director and CEO.

Table of Contents

Head Office of the Company

Saudi Real Estate Company
Olaya Main Street, Al Akaria Plaza Center - 5th Floor
P.O. Box 3572, Riyadh 11481
Kingdom of Saudi Arabia
Tel.: 0114600000
Fax: 0114601234
Website: www.al-akaria.com
E-mail: investor.relations@al-akaria.com

Company Representatives

Ibrahim bin Mohammed Al-Alwan
Director
Olaya Street, Al Akaria Plaza Center, 5th Floor,
P.O. Box 3572, Riyadh 11481
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Mobile No.: 00966555887557
Fax: 0114601234
E-mail: ialalwan@al-akaria.com

Fahad bin Ayed Al-Shamri
The Chief Financial Officer of the Issuer
Olaya Street, Al Akaria Plaza Center, 5th Floor,
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Mobile No.: 00966555512225
Fax: 0114601234
E-mail: f.alshammari@al-akaria.com

The Exchange

Saudi Exchange
Abraj Attuwenya, North Tower
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Unit No.: 15 - Riyadh 12211-3388
Kingdom of Saudi Arabia
Tel.: 920001919
Fax: 2189133
Website: www.saudiexchange.sa
Email: csc@saudiexchange.sa

Financial Advisor, Lead Manager and Underwriter

SNB Capital
P.O. Box 22216, Riyadh 11495
Kingdom of Saudi Arabia
Tel.: +966920000232
Fax: +966 11 4060052
Website: www.alahlicapital.com
E-mail: snbc.cm@alahlicapital.com

Legal Advisor to the Company

Khoshaim & Associates
17th Floor, Tower B, Olaya Towers, Olaya District
P.O. Box 230667, Riyadh 11321
Kingdom of Saudi Arabia
Tel.: 011 461 8700
Fax: 4618799
Website: www.khoshaim.com
Email: info@khoshaim.com

The Company's Auditor for the years 2018G, 2019G, 2020G and 2021G

Ernst & Young & Co. (Certified Public Accountants)
Head Office
Al Faisaliah Tower - 14th Floor
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P.O. Box 2732, Riyadh 11461
Kingdom of Saudi Arabia
Tel.: +966 11 215 9898
+966 11 273 4740
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Website: ey.com
E-mail: ey.ksa@sa.ey.com

Financial Due Diligence Advisor

PricewaterhouseCoopers
License No. 25
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Kingdom of Saudi Arabia
Tel.: + 966 (11) 211 - 0400
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Website: www.pwc.com/middle-east
E-mail: omar.alsagga@pwc.com

Market Consultant

CBRE Rowad Al-Riyadh Real Estate Valuation Company
Al Zamil Building, 5th Floor
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King Fahd Branch Rd
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Tel.: +966536337888
Fax: N/A
Website: www.cbre.sa
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Note: All the aforementioned Advisors have given and, as of the date of this Prospectus, have not withdrawn, their written consent to the publication of their names, logos and statements in the form in which they appear in this Prospectus.

Table of Contents

Offering Summary

This Offering Summary is intended to provide a brief overview on the key information contained in this Prospectus. Therefore, this summary does not contain all information that may be of interest to Shareholders and other Individual or Institutional Investors. Accordingly, recipients of this Prospectus should read it in full before making any investment decision regarding the Rights or New Shares and should not rely solely on any part thereof, including this summary. In addition, the "**Important Notice**" section and Section 2 "**Risk Factors**" of this Prospectus should be read before making any investment decision regarding the Rights or New Shares.

The Company	The Saudi Real Estate Company is a Saudi joint stock company incorporated by Royal Decree No. M/58 dated 17/07/1396H (corresponding to 15/07/1976G) and the Council of Ministers Resolution No. 1295 dated 16/07/1396H (corresponding to 14/07/1976G) and registered under Commercial Registration No. 1010012539 issued in Riyadh on 17/06/1397H (corresponding to 04/06/1977G), with its head office being located in Riyadh and current capital of SAR 2,400,000,000, divided into 240,000,000 Ordinary Shares with a fully paid nominal value of ten (10) Saudi Riyals per share.
Company's Activities	The Company's activities described in its Bylaws are summarized as follows, whether inside or outside the Kingdom: 1. Owning, leasing, developing, dividing and sorting lands and real estate properties of all kinds, setting up facilities, buildings, complexes and other facilities upon them, and selling, leasing, investing and using them in all exploitation methods; 2. Developing and managing lands, real estate properties, plans and various projects owned by the Company or third parties; 3. Investing in, purchasing, selling, charging and otherwise disposing of real estate properties and residential, commercial, industrial and other units; 4. Conducting real estate brokerage in the sale, marketing, leasing and valuation of real estate properties owned by the Company and third parties; 5. Providing all development, marketing and real estate investment activities and services, and evaluating and assessing real estate properties of all kinds; 6. Maintaining, operating, managing, protecting and cleaning real estate and property of all kinds. 7. Performing all activities related to building contracting, construction and restoration, whether for its projects or third parties, and carrying out all works related to infrastructure, excavation, concrete, finishing and preparation, including repairing roads, sewage, torrents, extensions, etc.; 8. Developing, supplying and operating the necessary machinery for real estate development work, including fixed and mobile tools, equipment and cranes, and market or rent them to third parties; and 9. Providing specialized advisory services in real estate, real estate development and investment, real estate project management and supervision services, and training in real estate development and investment.
Substantial Shareholders	As of the date of this Prospectus, the Company has one Substantial Shareholder (who owns 5% or more of the Company's shares), according to the following: (see table below)
Purpose of Rights Issue	The purpose of the Rights Issue is to finance and implement the Company's future plans and projects and expand its various activities in addition to repaying part of the Company's credit facilities.
Total Expected Proceeds	The Offering aims to raise an amount of one billion five hundred and ninety-three million (1,593,000,000) Saudi Riyals.

Substantial Shareholders:

The Shareholder	Prior to the Rights Issue		Post-Completoin of the Rights Issue*	
	Number of Shares	Ownership Precentage	Number of Shares	Ownership Precentage
The Public Investment Fund	154,983,978	64.57%	242,137,500	64.57%

* Assuming that the substaitial shareholder will subscribe to its portion of the Rights Issue. It should also be noted that the Public Investment Fund has undertaken to subscribe in all of its portion of the Rights Shares.

Table of Contents

Proposed Use of Proceeds

The Offering is intended to raise an amount of one billion five hundred and ninety-three million (1,593,000,000) Saudi Riyals. The net proceeds of the Offering are expected to be about SAR 1,572,700,000 after all the Offering expenses, which are estimated at about SAR 20,300,000, are deducted. The net proceeds of the Offering will be used to finance and implement the Company's future plans and projects and expand its various activities in addition to repaying part of the Company's credit facilities. The following table shows the proposed use of the Offering Proceeds:

Description	Total Value (SAR)	% of total proceeds
Repaying credit facilities to Riyad Bank	520,000,000	32.6%
Repaying credit facilities to AlJazira Bank	382,679,922	24%
Financing the Gateway Project	309,159,618	19.4%
Financing the L'Avenir Al-Aqeeq Complex Project	159,554,887	10%
Financing the Al-Yamamah Compound Project in the Diplomatic Quarter	152,466,696	9.6%
Working Capital Support	48,838,877	3.1%
Offering Expenses	20,300,000	1.3%
Total proceeds of the Offering	1,593,000,000	100%

For more details regarding the use of proceeds and the projects to be financed, please see Section 6 "**Offering Proceeds**."

Total Proceeds in the Last Rights Issue and its Analysis

The total proceeds obtained by the Company in the last rights issue, approved by the EGM on 24/08/1427H (corresponding to 17/09/2006G), amounted to one billion five hundred and sixty million (1,560,000,000) Saudi Riyals. The Company increased its capital from six hundred million (600,000,000) Saudi Riyals to one billion two hundred million (1,200,000,000) Saudi Riyals through issuing bonus shares and thirty million (30,000,000) rights issue shareswith a nominal value of ten (10) Saudi Riyals per share at an offer price of SAR (52) (including a nominal value of SAR (10) and a premium of SAR 42). The table below includes the details the use of the proceeds of the last rights issue:

Description	Disclosed Usage Value (SAR million)	Actual Use (SAR million)	Actual Spending Percentage of Planned Spending	The Difference in the Disclosed and Actual Spending
Covering the financing requirements for three (3) projects, namely Al Akaria Plaza Center Project, Al Akaria Commercial City Project, and Yarmouk Real Estate Villa Project.	1,554	280	(1,274)	(82%)[*]
Offering Expenses	6	6	0	0%
Offering Proceeds	1,560	286	(1,274)	(81.7%)

Source: The Company

[*] The reason for the difference in the actual and the disclosed usage is the Company reconsidering the feasibility of a few of the planned projects and the Company's decision not to continue with such projects due to them not being economically feasible and due to the investment in other projects and expenses more appropriate for the Company."

Material Changes to the Information Disclosed in the Latest Prospectus

The Company's last prospectus was issued on 24/08/1427H (corresponding 17/09/2006G) in relation to its offering of rights issues. The material changes to the information disclosed in the latest prospectus are included in the relevant sections of this Prospectus. To review a summary of the key material developments, please refer to Section 9.16 "**Material Changes to Information Disclosed in the Most Recent Prospectus**".

The Company's Share Capital

The Company's current capital is SAR 2,400,000,000.

Total Number of the Company's Shares

The current share capital consists of 240,000,000 fully paid Ordinary Shares.

Nominal Value per Share

The nominal value of the Company's shares (current and to be issued) is ten (10) Saudi Riyals per share.

Total Number of Offer Shares

The Company intends to offer one hundred thirty-five million (135,000,000) Ordinary Shares.

Adjusted Price

The Company's share price on the Exchange was changed to 16.18 Saudi Riyals per share before the start of trading on the day following the EGM relating to the Capital Increase. This represents a price reduction of SAR 2.46 per share.

Percentage of Offer Shares to the Issued Capital

The Offer Shares represent an increase in the Company's capital by 56.25%.

Total Number of Rights Issued

One hundred thirty five million (135,000,000) Rights.

Rights Issue Ratio	Each Registered Shareholder will be granted 0.5625 Right per Share. This ratio is the result of dividing the number of New Shares by the number of the Company's existing shares.
Total Number of Shares Post-Offering	Three hundred and seventy-five million (375,000,000) Ordinary Shares.
Company's Share Capital Post-Offering	Three billion seven hundred and fifty million (3,750,000,000) Saudi Riyals.
Offer Price	SAR (11.8) per Share.
Total Value of Offering	The nominal value of the Offer Shares is one billion three hundred and fifty million (1,350,000,000) Saudi Riyals. Based on the Offer Price, the value of the Offering is one billion five hundred and ninety-three million (1,593,000,000) Saudi Riyals.
Number of Offer Shares Underwritten	The Offer Shares amounting to one hundred thirty five million (135,000,000) Ordinary Shares are fully underwritten.
Total Offering Value Underwritten	The Offering is fully underwritten. Based on the Offer Price, the value of the Offering is one billion five hundred and ninety-three million (1,593,000,000) Saudi Riyals.
Categories of Targeted Investors	Registered Shareholders and New Investors.
Registered Shareholders	Shareholders who own shares in the Company as at the end of the trading day on which the EGM relating to the Capital Increase is held, and who are registered in the Company's shareholder register with Edaa at the end of the second trading day following the date of the EGM relating to the Capital Increase.
New Investors	The general investors including individual or institutional investors, other than the Registered Shareholders, who purchased the Rights during the Trading Period.
Method of Allocations and Refunds	The New Shares shall be allocated to the Eligible Persons based on the number of Rights that they properly exercised. The Rump Shares will be allocated to the Institutional Investors in order of priority based on the price per Share offered (provided that it will not be less than the Offer Price) with Shares being allocated on a proportional basis among those Institutional Investors that offered the same price. Fractional Shares will be added to the Rump Shares and treated in the same manner. The Company will receive the total Offer Price obtained from the sale of the Rump Shares and the fractional shares. The balance of the proceeds (i.e., in excess of the Offer Price) shall be distributed to eligible persons as per entitlement (for more details, please see Section 12 "**Details on Shares and Subscription Terms and Conditions**").
Allocation Date	The New Shares will be allocated no later than Sunday 20/11/1443H (corresponding to 19/06/2022G).
Offering Period	• **Trading Period:** starts on Monday 29/10/1443H (corresponding to 30/05/2022G) and ends on Monday 07/11/1443H (corresponding to 06/06/2022G). • **Subscription Period:** starts on Monday 29/10/1443H (corresponding to 30/05/2022G) and ends on Thursday 10/11/1443H (corresponding to 09/06/2022G).
Entitlement to Dividends	The New Shares are entitled to any dividends declared by the Company after the New Shares are issued.
Voting Rights	The Company has only one class of Ordinary Shares and each Share entitles its holder to one vote. Each Shareholder shall have the right to attend and vote in the General Assembly's meetings, and no Shareholder has any preferential voting rights.
Restrictions on Trading Shares and Rights	Except for the regulatory restrictions imposed on publicly listed shares, there are no restrictions imposed on the trading of the Company's Shares or Rights.

Shares previously listed by the Issuer	The Company was incorporated with a capital of six hundred million (600,000,000) Saudi Riyals divided into six million (6,000,000) Ordinary Shares with a nominal value of one hundred (100) Saudi Riyals per share. Upon incorporation, the Company offered fifty percent (50%) of its capital for public subscription pursuant to the Council of Ministers Resolution by which the Company was incorporated. On 29/12/1419H (corresponding to 15/04/1999G), the Extraordinary General Assembly agreed to split each share into two (2) shares, whereby the Company's capital became six hundred million (600,000,000) Saudi Riyals, divided into twelve million (12,000,000) shares of equal value with a nominal value of fifty (50) Saudi Riyals per share. On 21/02/1427H (corresponding to 21/03/2006G), a directive was issued by the Capital Market Authority pursuant to a resolution of the Council of Ministers that the nominal value of the shares of joint stock companies shall be ten (10) Saudi Riyals. Accordingly, the Company's shares were split by dividing each share into five (5) shares so that all the Company's shares would have equal value with a nominal value of ten (10) Saudi Riyals per share. As a result, the Company's capital remained six hundred million (600,000,000) Saudi Riyals, and the number of the Company's issued shares became sixty million (60,000,000) Ordinary Shares of equal value amounting to ten (10) Saudi Riyals per share. On 24/08/1427H (corresponding to 17/09/2006G), the Company's Extraordinary General Assembly was held and approved to increase the capital from six hundred million (600,000,000) Saudi Riyals to one billion and two hundred million (1,200,000,000) Saudi Riyals through (i) issuing a capitalization by granting thirty million (30,000,000) bonus shares, and (ii) offering thirty million (30,000,000) rights issue shares. On 14/10/1439H (corresponding to 28/06/2018G), the Company's Extraordinary General Assembly was held and approved to increase the Company's capital from one billion two hundred million (1,200,000,000) Saudi Riyals to two billion four hundred million (2,400,000,000) Saudi Riyals through issuing a capitalization by granting bonus shares.
Risk Factors	There are certain risks related to an investment in the Rights and the New Shares, which can be categorized into: (i) risks related to the Company's operations; (ii) risks related to the market, and (iii) risks related to the New Shares. These risks are described in Section 2 "**Risk Factors**" and should be carefully considered prior to making a decision to invest in the New Shares or Rights.
Trading New Shares	The trading of New Shares will commence on the Exchange upon the completion of all procedures related to the admission, allocation and listing of the New Shares.
Rights	Negotiable securities giving their holders the priority to subscribe to the offered New Shares upon approval of the capital increase. These securities shall be acquired Rights for all Registered Shareholders. A Right may be traded during the Trading Period. Each Right grants its holder the right to subscribe to one New Share at the Offer Price. Rights shall be deposited after EGM relating to the Capital Increase. The Rights shall appear in the portfolios of Registered Shareholders under a new symbol designated to the Rights.
Eligible Persons	All Rights holders, whether they are Registered Shareholders or New Investors who purchased Rights during the Trading Period.
Listing and Trading of the Rights	The Rights will be listed on Tadawul and traded during the Trading Period. The Rights shall have a separate symbol independent from that of the Company on the Exchange's screen. During the Trading Period, the Registered Shareholders shall have several options including selling the Rights or a part thereof on the Exchange, purchasing additional Rights through the Exchange or refraining from selling the Rights or purchasing additional Rights. During the Trading Period, New Investors will be entitled to purchase Rights through the Exchange, sell them or a part thereof or take no action with respect to Rights purchased during the Trading Period. The Saudi Tadawul System will cancel the Company's Rights Issue symbol on the Tadawul screen after the end of the Trading Period. Accordingly, Rights trading will cease at the end of the Period.
Subscription Method	During the Subscription Period, Eligible Persons shall have the right to exercise their right to subscribe to the New Shares electronically through the websites and electronic platforms of brokers that provide such services to subscribers or by any other means provided by the brokers. Eligible Persons may, during the Subscription Period, exercise their right to subscribe to the New Shares as follows: • A Registered Shareholder will be entitled to subscribe directly to New Shares equal to the number of Rights allocated thereto during the Subscription Period. If it purchases new Rights, it may subscribe to them after the end of the Rights Purchase Settlement Period (two (2) business days after the new Rights are purchased). • New investors who purchased Rights during the Trading Period will be able to subscribe to the new shares after the end of the Rights Purchase Settlement Period (two (2) business days after the new Rights are purchased). In the event that Eligible Persons do not exercise their right to subscribe to the New Shares during the Subscription Period, the shares associated with such Rights will be offered during the Rump Offering Period.
Rump Shares	The New Shares which have not been subscribed for during the Subscription Period.
Rump Offering	The Rump Shares will be offered to Institutional Investors. Such Institutional Investors will submit their offers to purchase Rump Shares and such offers will be received starting at 10:00 a.m. on Tuesday 15/11/1443H (corresponding to 14/06/2022G) until 5:00 p.m. on Wednesday 16/11/1443H (corresponding to 15/06/2022G). The Rump Shares will be allocated to the Institutional Investors in order of priority based on the price per Share offered (provided that it may not be less than the Offer Price) with Shares being allocated on a pro-rata basis to Institutional Investors that provided offers at the same price. Fractional Shares will be added to the Rump Shares and treated in the same manner.
Payment of Compensation Amounts (if any)	The cash compensation amounts (if any) will be paid to the eligible persons who did not sell the Rights during the Trading Period or exercise their right to subscribe for New Shares during the Subscription Period and to the beneficiaries of Fractional Shares no later than Thursday 01/12/1443H (corresponding to 30/06/2022G) (see Section 12 "**Details on Shares and Subscription Terms and Conditions**"). The compensation amounts represent the amount exceeding the Offer Price from the sale proceeds of the Rump Shares and the Fractional Shares during the Rump Offering Period.

Table of Contents

Indicative Value of the Right	The indicative value of a Right reflects the difference between the market value of the Company's share during the Trading Period and the Offer Price. The Saudi Exchange will calculate and publish the indicative value of a Right during the Trading Period on its website with a 5 minute delay. The market information providers will also publish this information so that investors can see the indicative value of a Right when entering orders.
Right Trading Price	The price at which the Right is traded, noting that such price is set through by supply and demand mechanism on the Exchange; therefore, it may differ from the Indicative Value of the Right.
Subscription Terms for New Shares	Eligible Persons wishing to subscribe for New Shares must fulfill the relevant subscription conditions. For the Subscription Terms and Conditions, please see Section 12 "**Details on Shares and Subscription Terms and Conditions**."

Note: All sections of this Prospectus, in particular the "**Important Notice**" section and Section 2 "**Risk Factors**" should be carefully considered before making any investment decision regarding New Shares or Rights.

Key Dates and Subscription Procedures

Table No. (2): Key Dates and Subscription Procedures

Timetable	Date
The convening of the EGM that includes the approval of the capital increase, setting the Eligibility Date and identifying the Registered Shareholders	Wednesday on 17/10/1443H (corresponding to 18/05/2022). Registered Shareholders are shareholders who own shares in the Company as at the end of the trading day on which the EGM relating to the Capital Increase is held and who are registered in the Company's shareholder register with Edaa at the end of the second trading day following the date of the EGM relating to the Capital Increase.
Trading Period	The Trading Period starts on Monday 29/10/1443H (corresponding to 30/05/2022G) and continues until the end of Monday 07/11/1443H (corresponding to 06/06/2022G). All the Rights holders may, whether they are Registered Shareholders or New Investors, may trade in the Rights.
Subscription Period	The Subscription Period starts on Monday 29/10/1443H (corresponding to 30/05/2022G) and continues until the end of Thursday 10/11/1443H (corresponding to 09/06/2022G). All the Rights holders may, whether they are Registered Shareholders or new investors, exercise their rights to subscribe for the New Shares.
Rump Offering Period	The Rump Offering Period starts at 10:00 a.m. on Tuesday 15/11/1443H (corresponding to 14/06/2022G) and continues until 5:00 p.m. on Wednesday 16/11/1443H (corresponding to 15/06/2022G).
Notification of Final Allocation	Sunday on 20/11/1443H (corresponding to 19/06/2022G).
Payment of compensation amounts (if any) to eligible persons who did not take action during the Trading Period and Subscription Period by subscribing to New Shares or selling Rights and persons entitled to Fractional Shares	No later than Thursday on 01/12/1443H (corresponding to 30/06/2022G).
Expected date for the commencement of trading of the New Shares	Trading of the New Shares will start after all the necessary procedures for listing the New Shares are completed. This will be announced later on the Saudi Exchange's (www.saudiexchange.com.sa).

Note: All dates described in the above table are rounded. The actual dates will be announced on the Saudi Exchange's website (www.saudiexchange.com.sa).

Key Announcement Dates

Table No. (3): Key Announcement Dates

Announcement	Announcing Party	Announcement Date
Announcing the invitation to the EGM relating to the Capital Increase	The Company	24/09/1443H (corresponding to 25/04/2022G).
Announcing the results of the EGM relating to the Capital Increase	The Company	18/10/1443H (corresponding to 19/05/2022G).
Announcing the change in the Company's Share Price, the deposit of the Rights and the Indicative Value of the Right	Tadawul	18/10/1443H (corresponding to 19/05/2022G).
Announcing the deposit of the Company's Rights	Edaa	29/10/1443H (corresponding to 30/05/2022G).
Announcing the determination of the Trading Period for the Rights and the Subscription Period for the New Shares	The Company	21/10/1443H (corresponding to 22/05/2022G).
Announcing the start of the Trading Period for the Rights and the Subscription Period for the New Shares	The Company	29/10/1443H (corresponding to 30/05/2022G).
Reminder announcement related to the last trading day for the Rights Issue and the importance of selling Rights for persons who do not wish to exercise such rights	The Company	07/11/1443H (corresponding to 06/06/2022G).
Announcement regarding: (i) subscription results and (ii) details of the sale of unsubscribed shares (if any) and commencement of the Rump Offering	The Company	13/11/1443H (corresponding to 12/06/2022G).
Announcing the results of the Rump Offering and notification of the final allocation	The Company	20/11/1443H (corresponding to 19/06/2022G).
Announcing the deposit of the New Shares in the Investors' Portfolios	Edaa	24/11/1443H (corresponding to 23/06/2022G).
Announcing distribution of the compensation amounts (if any) to Eligible Persons	The Company	01/12/1443H (corresponding to 30/06/2022G).

Note: All dates described in the above table are rounded. The actual dates will be announced on the Saudi Exchange's website (www.saudiexchange.com.sa).

*It should be noted that the deposit of the New Shares will be made within three (3) business days after the results of the Rump Offering and the final allocation are announced.

According to Article 33 of the ROSCOs if an announcement related to the Offering is published in a local newspaper after the Prospectus is published, the announcement shall include:

1. The issuer's name and Commercial Registration number;
2. Securities and their value, type and class included in the securities registration and offering application;
3. That the addresses and location that can be accessed by the public for the Prospectus;
4. The publication date of the Prospectus;
5. A statement that the announcement is for information only and does not constitute an invitation or offer to purchase or subscribe to the securities;
6. Names of the Lead manager, Underwriter, Financial Advisor and Legal Advisor; and
7. A disclaimer in the following form: The CMA and the Saudi Exchange (Tadawul) do not take any responsibility for the contents of this announcement, do not make any representations as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this announcement.

How to Apply for the Offering

Subscribing for the New Shares shall be limited to the Eligible Persons, whether they are Registered Shareholders or New Investors. In the event that the Eligible Persons do not subscribe for the Rights, the unsubscribed shares shall be offered to Institutional Investors during the Rump Offering Period. The Eligible Persons wishing to subscribe for the New Shares shall submit the Subscription Application Forms via means and services provided by the broker to investors, with two basic conditions:

- The Eligible Persons must have a bank account with the brokers offering such services, and
- The data of the Eligible Persons shall be updated, and there must have been no changes in the personal information or data of the “Eligible Person” (by deleting or adding a family member) since its subscription in a recent offering, unless the brokers were notified of, and approved, such changes.

Subscription Applications are submitted through portfolios in trading platforms and applications, through which sale and purchase orders are entered. In addition, the subscription can be made through any other means provided by the broker. The Company reserves the right to reject, in full or in part, any application for New Shares that does not comply with any of the Subscription Terms or Conditions. Upon submission, a subscription application form may not be amended or withdrawn. The application is a legally binding contract between the Company and the Subscriber (please see Section 12 “**Details on Shares and Subscription Terms and Conditions**”).

Q&A Related to the New Rights Issue Mechanism

1. What are Rights?

Tradable securities that entitle their holder to subscribe to the New Shares offered through capital increases. These securities are considered an acquired Right for all shareholders who own shares as at the end of the trading day on which the EGM relating to the Capital Increase is held and who are registered in the Company’s shareholder register with Edaa as at the end of the second trading day following the date of the EGM relating to the Capital Increase . Each Right grants its holder the right to subscribe for one New Share at the Offer Price.

2. Who is granted Rights?

All shareholders at the end of trading day on which the EGM relating to the Capital Increase is held, and who are registered in the Company’s Register with Edaa at the end of the second trading day following the date of the EGM relating to the Capital Increase, which is known as the eligibility date.

3. When are the Rights deposited?

After the EGM convens and approves the capital increase by way of a Rights Issue. The Rights shall be deposited as securities in the portfolios of shareholders registered in the Company’s shareholder register with Edaa at the end of the second trading day following the date of the EGM. The Rights will appear in the portfolios of the shareholders under a new symbol that designates these Rights. These Rights cannot be traded or exercised by the Registered Shareholders until the beginning of the Trading Period and Subscription Period.

4. How are Registered Shareholders notified of the deposit of Rights in their portfolio?

Registered Shareholders will be notified that the Rights have been deposited into their portfolios through an announcement on the Saudi Exchange’s website or via the Tadawulaty service provided by Edaa or through SMS messages sent by brokerage companies.

5. How many Rights will be granted to a Registered Shareholder?

The number of Rights that a Registered Shareholder will obtain depends on the number shares owned in the Company, according to the Company’s shareholder register with Edaa as at the end of the second trading day following the date of the EGM. The number of Rights due to each Registered Shareholder will be determined based on the Rights Issue Ratio.

6. What is the Rights Issue Ratio?

The factor by which the Registered Shareholders are able to identify their due Rights for their shares as per the Shareholders Register with the Edaa at the end of the second trading day following the date of the Extraordinary General Assembly. It is calculated by dividing the number of the New Shares by the number of the Company’s Existing Shares. For example, if a company has 1,000 issued shares and increases its capital to 1,500 shares by offering 500 new shares, the eligibility ratio will be one (1) Right to two (2) Shares.

If the process of calculating the number of Rights owed to any of the Company's shareholders based on the Rights Issue Ratio results in fractions, the resulting number will be rounded off to the nearest integer. The Rights Issue Ratio is 0.5625 Right per Share owned by a Registered Shareholder on the eligibility date. Consequently, if the Registered Shareholder owns one thousand (1,000) shares at the eligibility date, it will be allocated 562 Rights rather than 562.5 Rights for its shares. In this case, the Registered Shareholder will be compensated for any fractions if the Rump Shares are subscribed for at a higher price than the Offer Price.

7. Will the name and symbol of the Rights trading be different from the name and symbol of the Company's shares?

Yes, the acquired Rights will be added to the Investor's Portfolio under the name of the original share and by adding the word "Rights,"in addition to a new symbol for these Rights.

8. What is the Right value when the trading starts?

The opening price of the Right is the difference between the Company's closing share price on the day preceding the Rights listing and the Offer Price (the indicative value of the Right). For example, (using hypothetical prices): If the closing price of the Company's share on the day prior to listing the Rights is fifteen (15) Saudi Riyals and the Offer Price is ten (10) Saudi Riyals, then the opening price of the Right will be five (5) Saudi Riyals.

9. Who is a Registered Shareholder?

A Shareholder whose name appears in the Company's shareholder register at the end of the second trading day following the date of the EGM relating to the Capital Increase.

10. Can Registered Shareholders subscribe for additional shares?

Yes, Registered Shareholders can subscribe for additional shares by purchasing new Rights through the Exchange during the Trading Period.

11. Is it possible for a Registered Shareholder to lose its right to subscribe even if it has the right to attend the Extraordinary General Assembly and vote on the capital increase through a Rights Issue?

Yes, the Shareholder loses its right to subscribe if it sells its shares on the day of the EGM or the trading day preceding the date of the General Assembly.

12. How does the subscription take place?

Subscription Applications are submitted through portfolios in trading platforms, through which sale and purchase orders are entered. In addition, the subscription can be made through any other means provided by the broker to the investors.

13. Is it allowed to subscribe more than once through more than one broker?

Yes, the number of shares that can be subscribed for through each broker will depend on the number of the available Rights in the investment portfolio of the relevant broker. Yes, provided that the number of Shares subscribed to do not exceed the number of Rights held at the end of the Trading Period; otherwise, the Subscription Application will be canceled.

14. Can Shareholders subscribe to shares more than the Rights owned by them?

An Eligible Person may not subscribe for shares exceeding the Rights owned by such Eligible Person.

15. If the Company's shares are owned through more than one account, in which account will the Rights be deposited?

The Rights will be deposited in the same portfolio where the Company's Rights are deposited. For example, if a Shareholder owns one thousand (1,000) shares in the Company as follows: Eight hundred (800) shares in Portfolio A and two hundred (200) shares in Portfolio B, the total Rights that will be deposited to the Shareholder is 562 Rights on the basis that each share has 0.5625 Right. Thus, 450 Rights will be deposited in Portfolio A, and 112 Rights will be deposited in Portfolio B. The eligible shareholder will be compensated for any fractions if the Rump Shares are subscribed for at a higher price than the Offer Price.

16. Are share certificate holders allowed to subscribe and trade?

Yes, share certificate holders are entitled to subscribe. However, they may trade in Rights and subscribe to New Shares only after the certificates are deposited in investment portfolios through brokers or Edaa and all the required documents are submitted.

17. What happens if New Shares are subscribed for, and then the Rights have been sold thereafter?

If a Registered Shareholder subscribes, then sells the Rights without purchasing a number of Rights equal to the number of exercised Rights before the end of the Trading Period, then the Subscription Application will be rejected entirely, if all or part of Rights has been sold in an amount equal to the number of sold Rights. The Registered Shareholder will be notified and the rejected Offering amount will be refunded.

18. Are purchasers of additional Rights entitled to trade in them once again?

Yes, purchasers of additional Rights may sell them and purchase other Rights only during the Trading Period.

19. Can a part of the Rights be sold?

The investor may sell a part of these Rights and use the remaining parts for the subscription.

20. When can a Shareholder subscribe for the Rights it purchased during the Trading Period?

After the Rights Purchase Settlement Period (two (2) business days after the purchase process is completed), provided that the New Shares shall be subscribed for during the Subscription Period.

21. Can the Eligible Person sell or assign the Right after the expiration of the Trading Period?

No, it cannot. After the expiration of the Trading Period, the Rights holder may exercise (or refrain from exercising) its right to subscribe to the Rights. In case of refraining from exercising the Rights, the investor may be subject to the loss or depreciation in its investment portfolio.

22. What happens to Rights that are unsold or unsubscribed for during the Trading Period and the Subscription Period?

If the New Shares are not fully subscribed for during the Subscription Period, the Rump Shares will be offered to a number of Institutional Investors through the Lead Manager. The compensation amount (if any) for the Rights holder will be paid after the Offer Price is deducted. An investor may not receive any consideration if the sale occurs in the Rump Offering Period at the Offer Price.

23. Who has the right to attend the Extraordinary General Assembly and vote on increasing the Issuer's share capital through a Rights Issue?

A shareholder registered in the Company's shareholder register at Edaa after the end of the trading session on the day of the EGM relating to the Capital Increase shall have the right to attend the EGM and vote on increasing the share capital through a Rights Issue.

24. When will the share price be amended due to the increase of the Issuer's capital through the Rights Issue?

The share price shall be adjusted by the Saudi Exchange before the start of the trading day following the date of the EGM relating to the Capital Increase.

25. In case an investor bought shares in the Company on the day of the EGM, can it obtain the Rights arising from the Issuer's capital increase?

Yes, the Investor will be registered in the Company's shareholder register after two (2) business days from the Share purchase (i.e. at the end of the second trading day following the EGM), noting that the Rights will be granted for all the Registered Shareholders at the end of the second trading day following the EGM. However, it is entitled to attend or vote during the EGM relating to the Capital Increase.

26. If an investor has more than one portfolio with more than one broker, how will its Rights be calculated?

The investor's shares will be distributed to its portfolios, according to the percentage of shareholding in each portfolio. If there are Fractional Shares, such fractions will be aggregated. If the outcome is an integer or more, the integer number will be added to the portfolio in which the investor has the largest amount of Rights.

27. What are the Trading and Subscription Periods?

The trading of and subscription to the Rights will begin at the same time. The trading will end on the sixth day, while the subscription shall continue to the ninth day as set out in this Prospectus and the Company's announcements.

28. Is subscription available on the weekend?

No, it is not.

29. Can investors other than the Registered Shareholders subscribe to the Right Shares?

Yes, after completing and settling the purchase of Rights during the Trading Period, taking into account the overall regulatory restrictions on trading of listed shares.

30. Will there be any other fees for the trading of Rights?

The same commissions applying to the shares will also apply to sale and purchase operations, without a minimum commission being imposed.

Further Assistance:

If you have any questions, please contact the Company via e-mail: investor.relations@al-akaria.com. For legal reasons, the Company will be able to provide information contained in this Prospectus and will not be able to give advice on the merits of the Rights Issue or provide financial, tax, legal or investment advice. For more information on the Subscription Terms and Conditions, please see Section 12 “**Details on Shares and Subscription Terms and Conditions**” and the rest of the information contained in this Prospectus.

Summary of Key Information

This summary is intended to provide a brief overview of the key information contained in this Prospectus. This summary does not contain all information that may be of importance to the Shareholders and other Individuals or Institutional Investors. Therefore, all Shareholders of the Company, prospective investors and recipients of this Prospectus should read this Prospectus in full before making any investment decision related to the Rights or New Shares and should not rely solely on this summary. All terms contained in this Prospectus have been defined in the "**Definitions**" Section of this Prospectus and in other sections in this Prospectus.

Company Overview

Incorporation

The Saudi Real Estate Company was incorporated as a Saudi joint stock company by Royal Decree No. M/58 dated 17/07/1396H (corresponding to 15/07/1976G) and the Council of Ministers Resolution No. 1295 dated 16/07/1396H (corresponding to 14/07/1976G) and registered under Commercial Registration No. 1010012539 issued in Riyadh on 17/06/1397H (corresponding to 04/06/1977G). Its head office is located in Riyadh, Olaya Street, Al Akaria Plaza Center - 5th Floor, P.O. Box 3572, Riyadh 11481, Kingdom of Saudi Arabia.

The Company was initially established with a capital of six hundred million (600,000,000) Saudi Riyals by the Public Investment Fund, GOSI, the Pension Fund, Riyad Bank, Bank Al-Jazira, and the National Commercial Bank (which recently changed its name to the Saudi National Bank), who collectively subscribed to fifty percent (50%) of the Company's capital, and the remaining fifty percent (50%) was offered for public subscription pursuant to the resolution of the Council of Ministers by which the Company was established.

The current share capital of the Company is two billion four hundred million (2,400,000,000) Saudi Riyals divided into two hundred forty million (240,000,000) Ordinary Shares with a fully paid nominal value of ten (10) Saudi Riyals per share.

The Company is one of the oldest real estate companies in the Kingdom, given its history and role in developing the real estate sector in the Kingdom in general and Riyadh, the capital, in particular. The Company's main activities include acquiring and developing lands suitable for construction, building, selling and leasing residential and commercial facilities, managing real estate properties for its own account or for the account of third parties, purchasing, producing, selling and leasing construction materials and equipment, carrying out contracting activities for buildings and all necessary work to achieve its purposes.

Major Adjustments to the Company's Share Capital

- On 17/06/1397H (corresponding to 04/06/1977G), the Company was registered under Commercial Registration as a Saudi joint stock company with a capital of six hundred million (600,000,000) Saudi Riyals, divided into six million (6,000,000) shares of equal value with a nominal value of one hundred (100) Saudi Riyals per share. The Company offered fifty percent (50%) of its capital for public subscription pursuant to the resolution of the Council of Ministers by which the Company was established.
- On 29/12/1419H (corresponding to 15/04/1999G), the Extraordinary General Assembly agreed to split each share into two (2) shares, whereby the Company's capital became six hundred million (600,000,000) Saudi Riyals, divided into twelve million (12,000,000) shares of equal value with a nominal value of fifty (50) Saudi Riyals per share.
- On 21/02/1427H (corresponding to 21/03/2006G), a directive was issued by the Capital Market Authority pursuant to a resolution of the Council of Ministers that the nominal value of the shares of joint stock companies shall be ten (10) Saudi Riyals. Accordingly, the Company's shares were split by dividing each share into five (5) shares so that all the Company's shares would have equal value with a nominal value of ten (10) Saudi Riyals per share. As a result, the Company's capital remained six hundred million (600,000,000) Saudi Riyals, and the number of the Company's issued shares became sixty million (60,000,000) Ordinary Shares of equal value amounting to ten (10) Saudi Riyals per share.
- On 24/08/1427H (corresponding to 17/09/2006G), the Company's Extraordinary General Assembly was held and it approved the increase of the Company's capital from six hundred million (600,000,000) Saudi Riyals to one billion and two hundred million (1,200,000,000) Saudi Riyals through: (i) issuing thirty million (30,000,000) rights issue shares with a nominal value of ten (10) Saudi Riyals per share, and (ii) issuing a capitalization by granting thirty million (30,000,000) bonus shares with a nominal value of ten (10) Saudi Riyals per share.
- On 14/10/1439H (corresponding to 28/06/2018G), the Company's Extraordinary General Assembly was held and approved to increase the Company's capital from one billion two hundred million (1,200,000,000) Saudi Riyals to two billion four hundred million (2,400,000,000) Saudi Riyals through issuing a capitalization by granting one hundred twenty million (120,000,000) bonus shares with a nominal value of ten (10) Saudi Riyals per share.

Table of Contents

- On 17/10/1443H (corresponding to 18/05/2022G), the Company's Extraordinary General Assembly was held and it approved the increase the Company's capital from two billion four hundred million (2,400,000,000) Saudi Riyals to three billion seven hundred and fifty million (3,750,000,000) Saudi Riyals through issuing one hundred and thirty-five million (135,000,000) shares with a nominal value of ten (10) Saudi Riyals per share.

Substantial Shareholders

As of the date of this Prospectus, the Company has one Substantial Shareholder (i.e, owns five percent (5%) or more of the Company's shares), namely the Public Investment Fund that owns one hundred and fifty-four million nine hundred and eighty-three thousand nine hundred and seventy-eight (154,983,978) shares in the Company, representing 64.57% of the Company's capital. It should be noted that the Public Investment Fund has undertaken to subscribe in all of its portion of the Rights Shares.

Summary of the Company's Activities

The Company's activities are real estate investment and development through the Company acquiring real estate assets that include undeveloped lands in addition to income-generating commercial and residential complexes. The Company's investments also include direct cash investments in the Subsidiaries and non-Subsidiaries. It should be noted that the Subsidiaries provide services to the Company either through the managing and operating income-generating commercial and residential complexes or through entering into construction and contracting contracts for the Company's projects.

The key real estate sectors on which the Company focuses for its current and future projects are:

- The residential sector, with a special focus on middle-income, upper-middle-income, and high-income sectors;
- The business sector, with a special focus on the office sectors (community-type offices supported by basic services);
- The retail sector, with a special focus on entertainment, restaurants, and other services;
- The hospitality sector, with a special focus on four- and five-star resorts in its future projects;
- Multi-use commercial assets that include many community-inspired assets supported by basic services;
- The acquisition of land and master development plans.
- Building and operation contracts and PPP contracts for mega projects and major customers (such as ROSHN, State Properties General Authority, Ministry of Municipal, Rural Affairs and Housing, etc.).

Subsidiaries

The Kingdom of Saudi Arabia has transformed into a pioneering and developed country in all respects. Vision 2030 programs focuses on the infrastructure sectors (such as airports, public transportation, industrial and logistical facilities, sea and dry ports) and real estate destinations (such as NEOM, Red Sea, Qiddiya, Al Ula, King Salman Park). Therefore, Al Akaria's Subsidiaries will benefit from the Vision 2030 programs, as follows:

- Binyah seeks to expand its contracting business and benefit from Vision 2030 in relation to infrastructure programs and the public and private sector.
- Tamear seeks to expand its business by contracting with the Ministry of Municipal, Rural Affairs and Housing, in addition to renovation and restoration works.
- Mumtalakat seeks to expand its business in facility management, which includes supervising operation, maintenance, cleaning and security guards.

The Company has several Subsidiaries. The Company and its Subsidiaries are described in the following chart:

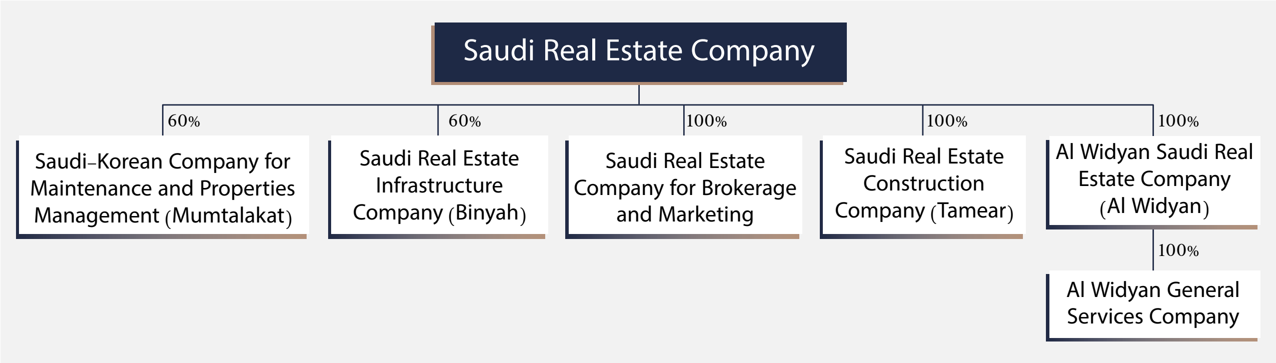


Table of Contents

Summary of the Company's Vision, Strategy, Strengths and Competitiveness

Vision: To be a leading company in real estate development and a major player and investor in the real estate industry at the local and international levels, and for Al Akaria to be a world-class company that develops large, high-end and sustainable urban spaces, contributes to happiness, increases productivity and encourages innovation.

Mission: To strive to achieve its objectives and vision by building capabilities and developing executive arms through establishing specialized companies in partnership with strategic professional partners with successful experiences.

Strategy: The Company's vision and strategy are based on a number of pillars:

Global Scale

The Company's strategy is based on building executive capabilities worldwide through establishing specialized companies in partnership with international partners with successful experiences in real estate development, construction, maintenance, operation, project management, supervising implementation and development, marketing, and recruiting the best administrative cadres and manpower to achieve its objectives.

Sustainability and Responsibility

Sustainability and responsibility are important components of the Company's vision. Therefore, the Company focuses on providing and developing real estate products on large landscapes with high quality and long-term modern models which are compatible with the surrounding environment.

Promoting Happiness

The Company believes in promoting happiness and tranquility. Therefore, it develops mixed-use urban complexes to provide an appropriate environment for a social life full of fun, vitality and privacy, and offer high quality urban products at competitive prices.

Productivity and Creativity

Based on the belief in modern, functional and productive environment that achieves objectives related to comfortable and ideal accommodation and provides commercial units, including commercial offices and showrooms, the Company strives to enhance satisfaction and stability in a healthy environment. This will provide individuals with an opportunity to use their abilities to positively contribute to their communities through creative and beneficial solutions, encourage research and support technologies and entrepreneurship, which will enable Al Akaria to stay ahead.

Table of Contents

Aspects of Strengths and Competitive Advantages of the Company

Well Established and Historical Name

Al Akaria is one of the oldest real estate companies in the Kingdom and one of the first companies to build commercial and residential complexes in the Middle East. Accordingly, the Company has a good name and reputation and is well known by individuals and companies in the real estate industry.

A Highly Qualified Management Team

The Company is proud of its manpower, including its Board of Directors and executive staff and all other employees of the Company and its Subsidiaries. They gained expertise and high efficiency in the real estate industry due to their work in the Company or other leading companies in this industry inside and outside the Kingdom.

Specialized Subsidiaries

Al Akaria has entered into global and local partnerships with many leading companies in the real estate industry at the local and global levels. The Company owns the largest percentage in such Subsidiaries. The Company established these companies so that each company is specialized in a different sector, which enables them to build their expertise and services in their respective sectors. The Company owns several Subsidiaries, in particular: Binyah, which carries out infrastructure works such as buildings, roads, bridges, etc.; Tamear, which specializes in building construction and maintenance, and; Mumtalakat, which manages, operates and maintains properties. These Subsidiaries provide services to Al Akaria and third parties.

Evolution and Innovation

The Company's accumulated experience combined with its innovation and development approach gives the Company a competitive advantage that many real estate developers do not have in the market. The Company is proud of its deep knowledge of society and the market, which enables it to use development and innovation in a way that better serves the market.

Market Overview

Overview of the Kingdom's Economy

As a result of the COVID-19 pandemic and the subsequent curbs on economic and social mobility, Saudi Arabia's GDP contracted by 4.1% in 2020G. As these restrictions began to be eased and global economic activity started to trend back towards pre-pandemic levels, we have seen Saudi Arabia's GDP return to growth territory, where in the end of 2021G, GDP increased by 3.3%. A strong rate of growth in Saudi Arabia's non-oil sector and improving conditions in the hydrocarbon sector have underpinned this recovery. According to the IMF, Saudi Arabia's GDP is expected to grow by 2.8% in 2021G and 4.8% in 2022G.

According to official labour force statistics, we are seeing divergence in employment trends, where non-Saudi national employment levels continue to decrease, whereas Saudi national employment levels continue to increase. The vast majority of the decline in employment levels for non-Saudi nationals has occurred in the construction, wholesale and retail trade and the administrative sectors over the year to Q2 2021G. Generally employees within these sectors live in employee residents with relatively low salaries, we are unlikely to see declining non-Saudi national employment levels have a material impact on real estate demand. Overall, as of Q2 2021G, Saudi national unemployment rate stood at 11.3% down from 15.4% a year earlier. The non-Saudi national unemployment rate stood at 2.4% down from 3.1% a year earlier.

Residential Real Estate Market

As a result of a range of initiatives enacted by the government, including but not limited to a number of reforms and support measures introduced to support home financing and the Sakani program, we have seen residential transaction volumes record a marked increase since 2016G. Over the five-year period to 2020G, total residential transaction volumes in Saudi Arabia have recorded a compound annual growth rate of 10.6%. With the Saudi Arabian government aiming to achieve a 70% home ownership rate amongst Saudi Arabian nationals by 2030, looking ahead, we expect residential demand to remain steadfast, which in turn is expected to continue to underpin performance in the sector.

Office Real Estate Market

Initiatives such as Program HQ are expected to bolster occupier demand for office space within Riyadh. With the vast majority of demand from regional and global occupiers already centred towards quality space in Riyadh, market performance has improved considerable. On average, Grade A office vacancy already sits at 98%, as a result, we have witnessed Grade A rents increase by 8.1% in the year to September 2021G, whereas Grade B rents fell marginally by 0.7% over this period.

In Jeddah, institutional occupier activity remains limited, where there is activity, it is skewed towards smaller fitted office or serviced office solutions. Overall, SMEs and start-ups represent the bulk of existing tenants in Jeddah. In the year to Q3 2021G, Grade A rents have increased by 8.6% whereas Grade B rents have remained unchanged.

Hospitality Real Estate Market

The average occupancy rate in Saudi Arabia fell by 3.4 percentage points year-on-year in the year to date to September 2021G. This decline in occupancy has been underpinned by declining occupancy levels in Makkah and Medina, which saw occupancy fall by 11.0 and 1.1 percentage points. Increasing level of leisure and business tourism have driven performance in key markets such as Riyadh and Jeddah where RevPARss year-on-year in the year to date to September 2021G increased by 54.9% and 1.5% respectively. Moving forward, given that COVID restrictions and travel bans were removed in mid-October 2020G, it is expected that over the remainder of the year, we will witness significant improvements across all key performance indicators in Saudi Arabia. Major events such as the extended Riyadh Seasons and the Saudi Arabian Grand Prix are expected to underpin out performance in both Riyadh and Jeddah respectively.

Retail Real Estate Market

Despite the easing of COVID-19 related occupancy and social distancing restrictions, improving consumer sentiment and spending levels, we have seen a difference in various performance across Saudi Arabia's retail sector. According to the research and analysis of the market consultants CBRE, there is a material quantum of quality space scheduled to enter the market, we expect that performance, in all but high-quality retail assets with supporting demand drivers, is expected to continue to remain under pressure in the short to medium term. Such as providing the best and most unique experiences to visitors and the developments that include indoor and outdoor walking areas.

Information source for this Section: Market Consultant

[*] The Ministry of Investment published guidelines in relation to reginal headquarters programs, that motivates company's to establish its regional headquarters in the Kingdom of Saudi Arabia through obtaining a "regional headquarter" license. It is expected a new regulation be implemented in they year 2024G which restricts international companies that do not have reginal headquarters in the Kingdom of Saudi Arabia from entering into contracts with agencies, entities, and funds owned by the Saudi government. It is also expected that the regional headquarters program will incentives office places in the Kingdom.

Summary of Risk Factors

Before deciding to subscribe for the Offer Shares, Prospective Subscribers are advised to carefully consider all of the information contained in this Prospectus, particularly the risks stated below, which are described in detail in Section 2 “**Risk Factors**” of this Prospectus.

Risks related to the Company

- Risks related to the achievement of the Company’s strategy and plans
- Risks related to new projects
- Risks related to credit and collection of outstanding receivables
- Risks related to liquidity
- Risks related to licenses and approvals
- Risks related to intellectual property rights
- Risks related to geographical concentration
- Risks related to raw lands
- Risks related to the Company’s reputation
- Risks related to the Company’s reliance on Senior Management and Key Personnel
- Risks related to employee misconduct or errors
- Risks related to Saudization
- Risks related to Labor Laws
- Risks related to service outsourcing
- Risks related to technology and cyber security systems
- Risks related to the adequacy of insurance coverage
- Risks related to related party transactions and their documentation
- Risks related to the Audit Committee’s comments
- Risks related to the violation of the Companies Law and the CMA’s Laws and Regulations
- Risks related to contracts and business in which the members of the Board of Directors have an interest
- Risks related to Directors engaging in business competing with the Company’s business
- Risks related to the Company’s accumulated losses
- Risks related to Al Widyan and Tamear’s accumulated losses exceeding half of the capital
- Risks related to business interruption
- Risks related to the interruption of work on the Al Widyan Project
- Risks related to the control and governance of the Subsidiaries
- Risks related to Alinma Real Estate Fund
- Risks related to leases and rental income
- Risks related to paper title deeds
- Risks related to land ownership disputes
- Risks related to stopping work on lands
- Risks related to mortgages
- Risks related to the non-reflection of the book value of the Company’s real estate properties and the related valuation of the market value of these real estate properties
- Risks related to litigation
- Risks related to contracts with third parties
- Risks related to the presence of some of the Company’s assets on leased lands in the Diplomatic Quarter
- Risks related to credit facilities
- Risks related to the construction, contractors and other parties

- Risks related to contingent liabilities
- Risks related to the Zakat status
- Risks related to the effective control of the Substantial Shareholder and the Company’s reliance thereon

Risks related to the market and industry

- Overall risks related to the real estate market
- Financial, economic and natural disaster risks
- Risks related to COVID-19
- Risks related to foreign exchange
- Political and security risks
- Risks related to VAT application
- Risks related to real estate transaction tax application
- Risks related to White Land fees
- Risks related to the impact of the demand for residential and commercial real estate properties in the Kingdom of Saudi Arabia on the Company’s business
- Risks related to electricity, water and other services prices
- Risks related to excessive concentration of risk
- Risks related to competition
- Risks related to expropriation
- Risks related to real estate development
- Risks related to the nature of the realization or liquidation of real estate assets
- Risks related to the devaluation of real estate assets
- Risks related to regulatory requirements and regulatory oversight
- Risks related to changes in the applicable laws and regulations

Risks related to the Shares

- Risks related to potential fluctuations in the price of the Rights
- Risks related to potential fluctuations in the share price
- Risks related to forward-looking statements and prospects
- Risks related to the potential issuance of new shares
- Risks related to lower demand for the Company’s Shares and Rights
- Risks related to the ownership dilution
- Risks related to the failure to exercise the Rights in a timely manner
- Risks related to dividend distributions
- Risks related to speculation related to the Rights
- Risks related to the Shareholders’ lack of awareness of the trading mechanism and exercise of the Rights

Summary of Financial Information

The financial information and key performance indicators set out below should be read in conjunction with the audited consolidated financial statements for the financial years ended 31 December 2018G, 2019G and 2020G, in addition to the interim condensed consolidated financial statements for the period ended on 30 June 2020G and 2021G, and the accompanying notes, which have been prepared in accordance with the International Financial Reporting Standards endorsed in the Kingdom (IFRS), and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

The financial information was derived from the consolidated financial statements of the financial years ended 31 December 2018G, 2019G and 2020G and interim condensed consolidated financial statements for the six-month period ended 30 June 2020G and 2021G.

Consolidated Income Statement					
SAR' 000	Financial Year 2018G (Audited)	Financial Year 2019G (Audited)	Financial Year 2020G (Audited)	Six-month period ended 30 June 2020G (Audited)	Six-month period ended 30 June 2021G (Audited)
Revenue	296,569	338,021	499,855	193,917	345,509
Cost of revenue	(111,369)	(166,387)	(358,717)	(108,741)	(234,309)
Gross profit	185,200	171,634	141,138	85,176	111,200
General and administrative expenses	(122,017)	(211,138)	(171,530)	(66,549)	(72,924)
Sales and marketing expenses	(24,147)	(45,146)	(52,631)	(13,940)	(26,439)
Operating income/(loss)	39,036	(84,650)	(83,023)	4,687	11,837
Financial charges	(49,193)	(44,825)	(17,294)	(8,333)	(27,742)
Impairment of real estate investments	-	(34,377)	(82,698)	-	-
Provision for impairment of prepaid expenses and other receivables	(20,000)	(10,865)	(38,370)	(5,000)	(800)
Impairment on property and equipment	-	-	(5,755)	-	-
Disposal of CWIP	-	(63,135)	-	-	-
Gain on revaluation of investments at FVTPL	(893)	12,171	9,646	-	-
Share in an associate's revenues	19,743	17,446	16,042	7,703	7,243
Dividends	2,802	9,148	6,019	-	-
Other income	1,506	4,628	66,305	6,251	14,948
Gain on disposal of investments at FVTPL	22,980	23,019	-	-	-
Losses due to the sukuk impairment	(206,338)	-	-	-	-
Gain on the revaluation of derivative instruments	13,156	-	-	-	-
Short-term Murabaha and sukuk returns	953	-	-	-	-
Loss before Zakat from continuing operations	(176,248)	(171,440)	(129,128)	5,308	5,486
Zakat	(21,028)	(12,687)	(25,304)	(9,667)	(6,229)
Loss for the year/period from continuing operations	(197,276)	(184,127)	(154,432)	(4,359)	(743)
Loss after Zakat from discontinuing operations	-	(13,919)	(4,661)	(4,284)	-

Consolidated Income Statement					
SAR' 000	Financial Year 2018G (Audited)	Financial Year 2019G (Audited)	Financial Year 2020G (Audited)	Six-month period ended 30 June 2020G (Audited)	Six-month period ended 30 June 2021G (Audited)
Net loss for the year/period	(197,276)	(198,046)	(159,093)	(8,643)	(743)
Statement of financial position					
Total current inventory	601,547	386,435	779,108	-	586,844
Total non-current assets	6,739,888	6,812,619	6,753,585	-	6,898,779
Asset held for sale	-	-	5,845	-	-
Total inventory	7,341,435	7,199,054	7,538,538	-	7,485,623
Total current liabilities	2,827,767	3,488,891	2,772,185	-	2,848,933
Total non-current liabilities	1,342,809	743,874	1,914,745	-	1,726,770
Liabilities directly related to assets held for sale	-	-	12,340	-	-
Total liabilities	4,170,576	4,232,765	4,699,270	-	4,575,703
Total Equity	3,170,859	2,966,289	2,839,268	-	2,909,920
Total liabilities and equity	7,341,435	7,199,054	7,538,538	-	7,485,623
Summary of the statement of cash flows					
Net cash flow from/(used in) operating activities	20,464	(115,739)	(133,075)	(12,776)	(95,439)
Net cash flow from/(used in) investing activities	(499,402)	28,478	102,363	(62,316)	(68,744)
Net cash flows from/(used in) financing activities	602,196	(59,983)	370,987	56,423	(191,724)
Increase/(decrease) in cash and cash equivalents	123,258	(147,244)	340,275	(18,669)	(355,907)
Cash and cash equivalents at the beginning of the period relating to discontinuing operations	-	-	-	-	1,436
Cash and Cash Equivalents at the Beginning of the Year/Period	208,466	331,724	184,480	184,480	523,319
Cash and Cash Equivalents at the End of the Year/Period	331,724	184,480	524,755	165,811	168,848
Key Performance Indicators (KPIs)					
Gross profit margin for the year/period	62.4%	50.8%	28.2%	43.9%	32.2%
Net loss margin for the year/period	(66.5%)	(58.6%)	(31.8%)	(4.5%)	(0.2%)
Return on assets	(2.7%)	(2.8%)	(1.2%)	-	(0.0%)
Return on equity	(6.2%)	(6.7%)	(5.6%)	-	(0.0%)

Source: The Company information and the audited consolidated financial statements of the financial years ended 31 December 2018G, 2019G and 2020G and revised financial statements for the six-month period ended 30 June 2020G and 2021G.

Table of Contents

4. Organizational Structure of the Company 40

5. Management's Discussion and Analysis of Financial Condition and Results of Operations 47

Table of Figures

Figures

1. Definitions

Term	Definition
"New Shares" or "Rights Shares"	Shares to be issued by the Company to increase the capital, amounting to 135,000,000 Ordinary Shares with a nominal value of ten (10) Saudi Riyals per share.
"Shares" or "Share"	The Company's Ordinary Shares with a nominal value of ten (10) Saudi Riyals per share.
"Company" or "Issuer" or "Al Akaria"	The Saudi Real Estate Company, a Saudi joint stock company incorporated by Royal Decree No. M/58 dated 17/07/1396H (corresponding to 15/07/1976G) and the Council of Ministers Resolution No. 1295 dated 16/07/1396H (corresponding to 14/07/1976G) and registered under Commercial Registration No. 1010012539 issued in Riyadh on 17/06/1397H (corresponding to 04/06/1977G).
Mumtalakat	The Saudi-Korean Company for Maintenance and Properties Management, a Subsidiary of Al Akaria that is a mixed limited liability company registered under Commercial Registration No. 1010612687 with a fully paid capital of SAR 20,000,000.
Tamear	Saudi Real Estate Construction Company, a Subsidiary of Al Akaria that is a Saudi closed joint stock company registered under Commercial Registration No. 1010466367 with a fully paid capital of SAR 100,000,000.
Binyah	The Saudi Real Estate Infrastructure Company, a Subsidiary of Al Akaria that is a Saudi closed joint stock company registered under Commercial Registration No. 1010469561 with a fully paid capital of SAR 50,000,000.
Al Widyan	Al Widyan Saudi Real Estate Company, a Subsidiary of Al Akaria that is a Saudi closed joint stock company registered under Commercial Registration No. 1010455071 with a fully paid capital of SAR 100,000,000.
"Board" or "Board of Directors"	The Company's Board of Directors.
"Kingdom "or "Saudi Arabia"	Kingdom Of Saudi Arabia
"Authority" or "CMA"	The Capital Market Authority of Saudi Arabia.
"Riyal" or "SAR"	Saudi Arabian Riyals, the lawful currency in Saudi Arabia.
Prospectus	This prospectus which is prepared by the Company in relation to the Offering.
Market Consultant	CBRE Rowad Al-Riyadh Real Estate Valuation Company, in its capacity as the Company's Market Consultant.
Underwriting Agreement	The underwriting agreement between the Company and the Underwriter for the purpose of fully underwrite the Offering of the New Shares.
The Extraordinary General Assembly Meeting on the Capital Increase	The meeting of the Company's Extraordinary General Assembly held on 17/10/1443H (corresponding to 18/05/2022G), for the purpose of the Shareholders voting on increasing the Company's capital through the issuance of Rights Shares.
Existing Shares	The Company's current share capital is 240,000,000 fully paid Ordinary Shares with a nominal value of ten (10) Saudi Riyals per share.
Rump Shares	The New Shares that were not subscribed for by the end of the Subscription Period.
Eligible Persons	All Rights holders, whether they are Registered Shareholders or New Investors who purchased Rights during the Trading Period.
Rights Issue	The Offering of new shares, to which the Company's Shareholders shall have the right to subscribe in proportion to their shareholding.
Affiliate	A person who directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with another person.
Eligibility Date	The end of the day of the EGM relating to the Capital Increase on 17/10/1443H (corresponding to 18/05/2022G).
Allocation Date	It is the date on which the final allocation of the New Shares will take place, which will be no later than Sunday 20/11/1443H (corresponding to 19/06/2022G).
Saudi Exchange	The Saudi Exchange (Tadawul), a wholly owned subsidiary of the Saudi Exchange Group that was established in March 2021G after the Saudi Exchange (Tadawul) was transformed into a holding company in the name of the Saudi Exchange Holding Group.

Term	Definition
EGM relating to the Capital Increase	The Company's Extraordinary General Assembly relating to the capital increase by offering Rights Issue shares.
Rights	Negotiable securities giving their holders the priority to subscribe to the New Shares upon the approval of the capital increase. They are an acquired Right for all Registered Shareholders, and each Right entitles its holder to subscribe to one New Share at the Offer Price. The Rights shall be deposited after the EGM relating to the Capital Increase is held. These Rights will appear in the Registered Shareholders' accounts under a new symbol for the Rights.
USD	The US Dollar, being the lawful currency of the United States of America.
CEO	The Chief Executive Officer of the Company.
Exchange	The Saudi stock sxchange (Tadawul), the market on which Saudi shares are traded.
Control	The ability to, directly or indirectly, influence the acts or decisions of another person, individually or collectively with a Relative or affiliate, through any of the following: (i) holding 30% or more of the voting rights in a company, or (ii) having the right to appoint 30% or more of the members of the governing body.
Subsidiary	In relation to a company, another company which it controls.
Subscription Terms and Conditions	The Subscription Terms and Conditions included in Section 12 "**Details on Shares and Subscription Terms and Conditions**" of this Prospectus.
Net Proceeds	The total proceeds of the Offering, net of the aggregate expenses of the Offering
Rump Share Offering	The offering of the Rump Shares to a number of Institutional Investors, where such investors submit offers to purchase the Rump Shares. These offers will be received from 10:00 a.m. on Tuesday 15/11/1443H (corresponding to 14/06/2022G) until 5:00 p.m. on Wednesday 16/11/1443H (corresponding to 15/06/2022G). The Rump Shares will be allocated to the Institutional Investors in order of priority based on the price per Share offered (provided that it will not be less than the Offer Price) with Shares being allocated on a proportional basis among those Institutional Investors that offered the same price. The Fractional Shares will be included within the Rump Shares and treated in the same manner.
Offering or Subscription	The offering of the New Shares for subscription through the issuance of Rights Shares amounting to one hundred and thirty five million (135,000,000) shares, at an Offer Price of SAR 11.8 per share.
Related Party	Related Party Signifies: 1. affiliates of the Issuer; 2. Substantial Shareholders in the company; 3. members of the Board of Directors and Senior Executives of the Company; 4. Directors and Senior Executives of the affiliates of the Issuer; 5. members of the Boards of Directors and Senior Executives of the Substantial Shareholders of the company; 6. any Relatives of the persons referred to in 1, 2, 3, 4, or 5 above; and 7. any company controlled by any person referred to in 1, 2, 3, 4, 5 or 6 above.
Subscription Period	The period during which all Rights holders, whether they are Registered Shareholders or new investors, may exercise their rights to subscribe for the New Shares. This period begins on Monday 29/10/1443H (corresponding to 30/05/2022G) and ends on Thursday 10/11/1443H (corresponding to 09/06/2022G).
Trading Period	The period during which the Rights are traded. It begins on Monday 29/10/1443H (corresponding to 30/05/2022G) and ends on Monday 07/11/1443H (corresponding to 06/06/2022G).
Rump Offering Period	It begins at 10:00 a.m. on Tuesday 15/11/1443H (corresponding to 14/06/2022G) and ends at 5:00 p.m. on Wednesday 16/11/1443H (corresponding to 15/06/2022G).
Relative	Husband, wife and minor children.
Listing Rules	The Listing Rules approved by the Board of the CMA pursuant to its Decision No. 3-123-2017, dated 09/04/1439H (corresponding to 27/12/2017G), as amended by CMA Board Decision No. 1-52-2022 dated 12/09/1443H (corresponding to 12/04/2022G).
ROSCOs	The Rules on the Offer of Securities and Continuing Obligations issued by the CMA Board pursuant to its Resolution No. 3-123-2017 dated 09/04/1439H (corresponding to 27/12/2017G) as amended by CMA Board Resolution No. 5-5-2022 dated 02/06/1443H (corresponding to 05/01/2022G).
Indicative Value	The difference between the market value of the Company's shares during the Trading Period and the Offer Price.
Nominal Value	Ten Saudi Riyals (SAR 10) per share.
Senior Executives	Any natural person assigned - individually or jointly with other persons - by the Company's Board or by a Director to oversee and manage tasks and who reports directly to the Board, Director or CEO.

Term	Definition
Substantial Shareholders	Any shareholder who owns five percent (5%) or more of the Company's share capital. As of the date of this Prospectus, the Company has one Substantial Shareholder, the Public Investment Fund, which owns 64.57% of the Company's capital.
Fractional Shares	Fractional Shares to be collected and offered as part of the Rump Shares during the Rump Offering Period.
Corporate Governance Regulations	The Corporate Governance Regulations issued by CMA Board Resolution No. 8-16-2017 dated 16/05/1438H (corresponding to 13/02/2017G), as amended pursuant to CMA Board Resolution No. 1-7-202 dated 01/06/1442H (corresponding to 14/04/2021G).
Nomination and Remuneration Committee	The Company's Remuneration and Nominations Committee.
Compensation Amount	The amount that exceeds the Offer Price out of the net sale proceeds of the Rump Shares and Fractional Shares, which will be paid to those who have not exercised their right to subscribe to the New Shares and to the holders of Fractional Shares.
Underwriter	SNB Capital, in its capacity as the Underwriter in relation to the Offering.
Lead Manager	SNB Capital, in its capacity as Lead Manager in relation to the Offering.
Auditor	Ernst and Young & Co., in its capacity as the Company's Auditor.
Edaa	The Securities Depository Center Company (Edaa) in the Kingdom of Saudi Arabia.
Shareholder	Any owner of the Company's shares from time to time.
Current Shareholders	All current shareholders of the Company, including Substantial Shareholders.
Registered Shareholders	Shareholders who own shares as of the end of the day of the EGM relating to the Capital Increase and who are registered in the Company's shareholder register as of the end of the second trading period following the EGM relating to the Capital Increase, on 17/10/1443H (corresponding to 18/05/2022G).
New Investors	Individual and Institutional Investors, other than the Registered Shareholders, who purchased the Rights during the Trading Period.
Legal Advisor	Khoshaim & Associates, in its capacity as the Legal Advisor to the Company in relation to the Offering.
Financial Advisor	SNB Capital, as the Company's financial advisor in relation to the Offering.
Advisors	The Company's advisors whose names appear on page vi of this Prospectus.
Rights Issue Ratio	0.5625 Right for each Share. It is the factor by which a Registered Shareholder can identify the number of the Rights due to such Registered Shareholder in exchange for the shares it owns. This ratio is the result of dividing the number of New Shares by the number of Existing Shares with the Company.
IFRS	A set of accounting standards and their interpretations issued by the International Accounting Standards Board as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA) in the Kingdom of Saudi Arabia.
Subscriber	Any person who subscribes to Rights Shares.
Saudi National	Any individual holding the Saudi Arabian nationality.

Term	Definition
Institutional Investors	It includes a number of institutions as follows: 1. Government entities and companies owned by the government, whether directly or through a private portfolio manager, or any international body or entity recognized by CMA, the Exchange, or any other capital market recognized by CMA or Edaa; 2. Publicly offered investment funds established in the Kingdom and private funds which invest in the securities listed on the Saudi Exchange if such investment is permitted by the fund's terms and conditions and subject to the provisions and restrictions described in the Investment Funds Regulations; 3. Capital Market Institutions licensed to deal in securities as principals, in compliance with the requirements set forth in the Prudential Rules; 4. Customers of a Capital Market Institution authorized to conduct the management business, provided that the Capital Market Institution has been appointed on such terms as to enable it to make the decisions to accept participation in the offering and invest in the Exchange on behalf of the customer without needing its prior approval; 5. Any other legal person who may open an investment account in the Kingdom and an account with Edaa, in accordance with the controls on listed company investment in securities, provided that the Company's participation does not result in any conflict of interest; 6. GCC companies and GCC funds, if the terms and conditions of the fund permit that. 7. Qualified foreign investors; and 8. An ultimate beneficiary of legal personality in a swap agreement with a Capital Market Institution under the terms and conditions of the swap agreements.
Capital Market Institution	A Capital Market Institution authorized by CMA to engage in the securities business.
Nitaqat	An initiative launched by the MHRSD in the Kingdom of Saudi Arabia to evaluate entities operating in the Saudi market according to the number of their Saudi employees. Each entity is classified within one category (of the four categories) according to the number of Saudi employees.
Bylaws	The Company's Bylaws.
CML	The Capital Market Law promulgated by Royal Decree No. M/30 dated 02/06/1424H (corresponding to 31/07/2003G) as amended by Royal Decree No. M/16 dated 19/1/1440H (corresponding to 18/09/2019G).
Companies Law	The Saudi Companies Law promulgated by Royal Decree No. M/3 dated 28/01/1437H (corresponding to 10/11/2015G), as amended by Royal Decree No. M/79 dated 25/07/1439H (corresponding to 11/04/2018G).
Tadawul System	The automated Saudi securities trading system.
ZATCA	The Zakat, Tax and Customs Authority of Saudi Arabia.
Ministry of Commerce	The Ministry of Commerce in Saudi Arabia.
Ministry of Finance	The Ministry of Finance in Saudi Arabia
MHRSD	The Ministry of Human Resources and Social Development in Saudi Arabia.
"Public Investment Fund" or "PIF"	The Public Investment Fund of Saudi Arabia.
GOSI	General Organization for Social Insurance in Saudi Arabia.
Brokers	Capital Market Institutions licensed to engage in dealing activity.
Business day	An official business day during which banks are open in the Kingdom, except for Fridays, Saturdays and official holidays.

2. Risk Factors

Before making a decision to invest in Rights or Rights Shares, prospective investors should carefully study all information contained in this Prospectus, and particularly the risk factors listed below. The risk factors described below may not include all the risks that the Group may face, as there may be additional risks that are not known by the Group at the present time, or that may be immaterial but may affect the operations of the Group.

The Group's business, financial position, results of operations and future prospects may be materially and adversely affected if any of the risks referred to below, any other risks not identified by the Directors, or risks which are currently considered immaterial, occur. As a result of these risks or other factors that may affect the Group's business, the expected future events and circumstances that are described in this Prospectus may not occur in the way the Group or the Directors expect, or may not occur at all.

When evaluating the risks described below, a prospective investor should also take into account other information described in this Prospectus, including information related to the Group and the related agreements referred to in Section 9 "**Legal Information**" of this Prospectus.

The Directors also declare that, to the best of their knowledge and belief, there are no other material risks as of the date of this Prospectus other than those described in this section which, if not disclosed, may affect the decisions of investors to invest in the Rights or Rights Shares.

An investment in the Rights or Rights Shares is suitable only for investors who are able to evaluate the risks and benefits of such investment and who have sufficient resources to bear any loss that may result from the investment. A prospective investor who has any doubts regarding the procedures to be taken or investment decisions should consult an advisor licensed by CMA regarding any investment in Rights or Rights Shares.

In the event of the occurrence of any of the risk factors described below, any other risks that the Directors do not believe to be material at the present time, or risks unknown to them as of the date of this Prospectus, this may lead to a decrease in the price of Rights or the Company's shares, which may result in an investor losing all or part of its investment in the Rights or Rights Shares.

The risks listed below are stated in an order that does not reflect their importance or expected effect on the Group. The risks set out herein do not include all risks that may affect the Group, its operations, activities, assets, markets and sectors in which it operates, and do not include all risks of the investment in the Rights or Rights Shares.

2.1 Risks related to the Company

2.1.1 Risks related to the achievement of the Company's strategy and plans

The Company's ability to increase its revenues and profitability depends on the extent of the effective implementation of its business plans and the successful achievement of its strategy, which includes, but is not limited to, improving the Company's existing projects, establishing other projects and entering into other new investments. The Company's ability to expand its business in the future and achieve its strategy depends on its ability to continue implementing and improving operational, financial, administrative, and information systems together with other systems in a timely and effective manner, as well as its ability to increase, train, motivate and maintain its employees. Moreover, any business expansion plans that the Company intends to undertake in the future will be subject to the estimated costs and schedule. If the Company fails to implement expansion plans, new projects or strategy according to their specified schedule or estimated costs, this will have an adverse effect on the Company's business, financial position, results of operations and future prospects.

The Company's ability to implement its strategy is subject to various factors, including factors beyond the control of the Company. There can be no assurance that any event or incident that may affect the Company's strategy and ability to implement this strategy will not occur, such as any delay or suspension of the Company's projects, or the issuance of any regulatory decisions, change in the laws and regulations, or change in urban planning. There can also be no assurance that the Company's employees or the operational, financial, and information systems or any other systems will be sufficient to support the Company's strategy and support the future growth and expansion of the Company's business. If the Company fails to implement any part of its strategy or in the appropriate time and manner, this will have an adverse effect on the Company's business, financial position, results of operations and future prospects.

Table of Contents

2.1.2 Risks related to new projects

The Group aims to continue expanding its business in the real estate industry in the coming years by establishing new projects. The Company may face several risks and obstacles when establishing new projects, such as finding new properties in distinct locations at competitive prices, concluding relevant contracts with appropriate contractual terms, and obtaining all necessary licenses and regulatory approvals, as well as other factors and challenges.

The ability of Al Akaria to complete its projects on the specified schedule and with the required quality largely depends on the parties that the Company contracts with for the purpose of setting up projects, such as development companies, contractors, engineering offices and other advisors and service providers. Therefore, if these parties do not comply with their obligations in accordance with the concluded contracts, this may affect the Company's ability to complete its projects at the specified schedule and with the required quality.

In addition, when the Company establishes new projects, this does not necessarily mean such projects will succeed and achieve profits expected by the Company based on the relevant feasibility studies. The success of projects depends on a number of factors, including factors beyond the Company's control, such as the political and economic conditions in the Kingdom and the entry of new competitors into the market and other factors described in this section of the Prospectus.

Therefore, there can be no assurance that the Company will be able to establish new projects with the required quality or that newly established projects will be successful. If the Company is unable to establish new projects or if the new projects are not successful, this will adversely affect the Company's business, financial position, results of operations and future prospects.

2.1.3 Risks related to credit and collection of outstanding receivables

Credit risks are risks resulting from the failure of a third party to fulfill its obligations toward the Company under the contracts and transactions entered into by the Company, which include contracts with tenants and deposits with banks and financial institutions.

The Company's net receivables were SAR 88.7 million, SAR 96.9 million, SAR 146 million and SAR 217.5 million as of 31 December 2018G, 2019G and 2020G and the period ended 30 June 2021G, respectively. Receivables over 365 days past due accounted for 18%, 38%, 37% and 24% of the total receivables (before the deduction of the provision) for the financial years ended 31 December 2018G, 2019G, 2020G and the period ended 30 June 2021G, respectively. The balance of the provision for doubtful debts amounted to SAR 33.4 million, SAR 46.3 million, SAR 63.3 million and SAR 77.6 million for the financial years ended 31 December 2018G, 2019G and 2020G and the period ended 30 June 2021G, respectively (for more information in this regard, please see Section 5.7 "**Results of operations for the financial years ended 31 December 2018G, 2019G and 2020G and the six-month period ended 30 June 2020G and 2021G**" of this Prospectus). It should be noted that the grant repayment period for the Company's customers ranges from ninety (90) days to one hundred eighty (180) days. Some of the Company's customers may face financial and operational difficulties due to economic conditions, market conditions or other factors specific to those customers, which may adversely affect their financial position, which in turn may lead to their failure to fulfill their obligations to the Company or them entering into insolvency or bankruptcy. This will have an adverse effect on the Company's ability to collect receivables from these customers. The Company's customers may also fail to fulfill their obligations due to the Company for any other reasons, such as a dispute with the Company. If the Company is unable to collect its dues from the contracting parties with the Company (including its customers) or collect them on the specified dates for any reason, this will have a material and adverse effect on the Company's business, financial position, results of operations and future prospects.

2.1.4 Risks related to liquidity

Liquidity risks comprise of the difficulties faced by the Group when raising funds to meet its obligations. Liquidity risk arises when there is not enough cash for the Company to operate its business, implement its strategy and meet its obligations. The Company's liquidity ratio reached 21.27%, 11.08%, 28.10% and 20.60% for the financial years ended 31 December 2018G, 2019G, 2020G and the financial period ended 30 June 2021G, respectively.

This is considered to be a fundamental risk faced by the Company due to the nature of its assets, the majority of which are real estate assets. Real estate assets accounted for about 82% of the Company's total assets as of 30 June 2021G. Real estate properties are non-liquid assets, as it is difficult to convert them into cash immediately. Therefore, if the Company's business requires the provision of cash, the Company may not be able to sell its real estate assets quickly or at a value that reflects its fair value, which may affect the Company's ability to meet its obligations.

Accordingly, if the Company does not manage its liquidity properly and there is not enough liquidity to meet its obligations, this will lead to the Company breaching its contractual obligations and the contracting parties may stop dealing with the Company or may resort to filing a lawsuit against the Company to collect their dues. This would have a material and adverse effect on the Company's business, financial position, results of operations and future prospects.

Table of Contents

2.1.5 Risks related to licenses and approvals

The Group is subject to several laws and regulations that require it to obtain the necessary licenses and permits from the competent regulatory authorities in the Kingdom to conduct its business. Al Akaria and its Subsidiaries are required to obtain and maintain appropriate licenses, permits and regulatory approvals in relation to their activities, including, but not limited to, Commercial Registration certificates, Chamber of Commerce and Industry membership certificates, Saudization certificates, Zakat certificates, social security certificates, contractor classifications, and Wafi licenses, membership of the Contractors Authority and the necessary municipal licenses and approvals, civil defense and other licenses related to the activities of the Group (for more information on licenses and permits obtained by the Company and its Subsidiaries, please see Section 9.7 "**Government Certificates, Approvals and Licenses**"). These licenses and permits should remain in effect on an ongoing basis, which can be achieved by Al Akaria and its Subsidiaries through complying with the laws, regulations and conditions governing these licenses and permits. In addition, there can be no assurance that the Group will be able to obtain the approval of the relevant authorities when it seeks to renew or amend any license or, in the event of their approval of the renewal, there can be no assurance that the relevant authorities will not impose conditions that would adversely affect the Group's business.

If the Group is unable to obtain all the necessary licenses and permits to conduct its business, or if the Group is unable to maintain and renew its license and comply with the laws, regulations and conditions governing such licenses and permits, this may lead to the suspension of the Group's business or its failure to obtain certain government services or the Group is exposed to penalties and violations. This would have a material and adverse effect on the Group's business, financial position, results of operations and future prospects.

2.1.6 Risks related to intellectual property rights

Al Akaria and its Subsidiaries registered six (6) trademarks that the Group uses in its business, in addition to their ownership of websites and their registration of a Saudi domain for some websites. These intellectual property rights are an integral part of the Group's identity and an important element in its business. The Group's ability to market its products and services and develop its business depends on the use of its name, logo and trademarks, which support its products and competitive position and give it a clear distinction in the market (for more details on this, please see Section 9.14 "**Intellectual Property**").

If the Group does not register and renew all of its trademarks and other proprietary rights or is unable to protect its intellectual property rights, or if a person uses or infringes the intellectual rights of the Group, this may adversely affect the Group's ability to retain its customers and attract new customers. The value of these brands or the reputation of the Group may be affected. This may result in losses and distraction of management as Al Akaria or any of its Subsidiaries may from time to time have to file a lawsuit to protect their trademarks or any of their intellectual property rights, which would have an adverse effect on the Group's business, financial position, results of operations and future prospects.

It should be noted that the name of one of Al Akaria's trademarks was used by a third party. Al Akaria filed a complaint to stop the use of the brand name, but it did not ask for any financial compensation. While the Company does not believe that this violation will materially affect its business or financial position, the Company cannot anticipate the results of the complaint, which may not be determined in favor of the Company. This may affect the brand value or its reputation or incur losses, which would have an adverse effect on the Company's business, financial position, results of operations and future prospects.

2.1.7 Risks related to geographical concentration

All the business of the Company and its Subsidiaries are located in the Kingdom of Saudi Arabia. The Company's assets and business and its Group's business are largely concentrated in major cities such as Medina, Dammam, Jeddah and particularly Riyadh. Real estate assets located in Riyadh account for about (87%) of the total assets of Al Akaria as of 30 June 2021G. In addition, all rental revenue is generated from the Company's assets in Riyadh. Accordingly, any deterioration in the economic, regulatory, geographical or weather conditions, epidemics or other conditions that may occur in the Kingdom in general or in Riyadh in particular or in a city where the Company operates will have a higher impact compared to the deterioration itself and other companies with assets distributed inside or outside the Kingdom. This would have a material and adverse effect on the Group's business, financial position, results of operations and future prospects.

2.1.8 Risks related to raw lands

Al Akaria has raw lands that Al Akaria purchases for later development or sale at a higher value (for more details about the Company's real estate properties, please see Section 9.10 "**Real estate assets**"). The success of this strategy depends on the success of existing or under construction projects, residential and geographical expansion plans, urban expansion to such sites, the completion of infrastructure works such as water, electricity, roads, and purchasers' demand for units in such relatively new areas of the city where real estate projects are to be established. If the contrary is materially proved, this will have an adverse effect on the Company's business, financial position, results of operations and future prospects.

2.1.9 Risks related to the Company's reputation

The reputation of Al Akaria and its Subsidiaries may be adversely affected due to, among others, the deterioration of their financial results or their exposure to lawsuits or legal procedures that may be filed against them due to the non-compliance with some legal requirements, misconduct of employees, executives or former or existing directors, violation by Al Akaria and its Subsidiaries of applicable regulatory requirements, or other factors that affect the Company's reputation. If the reputation of Al Akaria and its Subsidiaries is adversely affected, this will have a material adverse effect on the Group's business, financial position, results of operations and future prospects.

2.1.10 Risks related to the Company's reliance on Senior Management and Key Personnel

The success of the Company and its operational work depends on the experiences and capabilities of its administrative and technical cadres of senior executives and qualified employees, in addition to its ability to attract, hire, develop, motivate and retain qualified employees in the future. The Company depends on a number of key employees in its Executive Management team who have valuable experiences in the real estate sector and have contributed significantly to the development and growth of the Company's operations.

The Company cannot guarantee that it will be able to retain its qualified employees, continue to develop their skills, or attract new qualified employees. The Company may need to invest significant financial and human resources to do so. Therefore, the Company's loss of any of its senior executives and other key employees, and its inability to hire a replacement with the same level, experience and skill at an appropriate cost, will have an adverse effect on the Company's business, financial position, results of operations and future prospects.

2.1.11 Risks related to employees' misconduct or errors

Al Akaria and its Subsidiaries are exposed to operational risks arising from employees' errors if they fail to document transactions properly and in accordance with the approved models of Al Akaria and its Subsidiaries, or any misconduct by employees (at the internal or external levels) including, but not limited to, fraud, embezzlement, or abuse of authority or power or acting without authorization. This may include the non-compliance by the Group's employees with organizational requirements and the Group's internal policies. The Group cannot guarantee that any of such events or errors will not occur, which may result in consequences and responsibilities incurred by the Group including financial liabilities, statutory penalties, an adverse effect on the Group's reputation or other effects. Such actions become more serious if they are committed by a senior executive or a Director, which the Company cannot guarantee that it will not happen.

Any bad behavior or error by the Company's employees or Directors will have a material and adverse effect on the Group's business, financial position, results of operations and future prospects.

2.1.12 Risks related to Saudization

Like all companies operating in the Kingdom, the Group is required by the MHRSD to employ a specified percentage of Saudi citizens and Saudize certain positions. In addition, other supervisory authorities impose certain percentages of Saudization or require the employment of Saudi citizens in certain positions. According to the Nitaqat program issued by the MHRSD, the Company's Saudization rate reached (75.65%) as of 31 March 2022G, which is classified in the platinum category (for more details about the Saudization rates for the Company and its Subsidiaries, please see Section 9.7 "**Government Certificates, Approvals and Licenses**").

The Group may from time to time encounter difficulty in recruiting and retaining qualified Saudi nationals. If Al Akaria and its Subsidiaries fail to employ a sufficient number of Saudi nationals, the Saudization rate decreases, or if more severe Saudization requirements are imposed in the future and the Group is unable to comply with such requirements, this may lead to the Group being subject to fines and other penalties, such as the suspension of work visa applications and suspension of sponsorship transfer for non-Saudi employees. This would have a material and adverse effect on the Group's business, financial position, results of operations and future prospects.

2.1.13 Risks related to Labor Laws

The Group is subject to the requirements of the Labor Law and the regulations and instructions issued by the MHRSD, such as compliance with the provisions of labor laws, employee registration in the social insurance system, employee health insurance, Wage Protection System, occupational safety regulations, and other relevant requirements. Failure to comply with labor laws and requirements may result in penalties including stopping services or closing the facility for a period of thirty (30) days, or imposing fines of up to SAR 100,000, or employees requiring the termination of their contracts or claiming for compensation. It should be noted that the MHRSD imposed fines on the Company due to its previous non-compliance with some relevant laws and regulations (for more details about them, please Section 9.13 "**Penalties and Fines**").

The number of workers in the Company and some Subsidiaries is slightly inconsistent with the numbers of workers registered with government agencies, due to the delay of the Company and its Subsidiaries in canceling the registration of workers who no longer work for them and the delay in registering new employees when they are appointed. This delay, or its recurrence, may result in the Company's non-compliance with the statutory registration requirements, which may expose it to penalties to be imposed by the competent authority. This would have an adverse effect on the Group's business, financial position, results of operations and future prospects.

Accordingly, if the Group does not comply with the Labor Law, regulations and instructions issued by the MHRSD, this may expose it to fines and penalties, which in turn would have an adverse effect on the Group's business, financial position, results of operations and future prospects.

2.1.14 Risks related to service outsourcing

The Group heavily relies on various outsourcing contracts entered into with third parties related to services such as cleaning, security and other services. The Company's success and ability to continue its business and future plans depend on its ability to maintain these contracts or, in case of their termination, renew such contracts or enter into new contracts with similar or better terms and conditions. Due to the Company's reliance on the assignment of third parties, the failure of such parties to abide by their contracts and duties, or the Group's inability to renew such contracts on similar terms or find a suitable alternative in the event of non-compliance or non-renewal, will have an adverse effect on the Group's business, financial position, results of operations and future prospects. In addition, these contracts include risks due to their nature, which include persons who are not employed by the Group within its sites. If such persons perform any illegal work or there is a dereliction or leakage of information or others, the Group may be in violation of its contractual obligations or may be subject to legal issues, which would have an adverse effect on the Group's business, financial position, results of operations and future prospects.

2.1.15 Risks related to technology and cyber security systems

The Group's ability to conduct its business and monitor its operations and costs accurately and effectively largely depends on its information network and the strength of its technical and cyber security systems. Risks related to internal and external information technology systems, such as malware, programming defects, attempts to penetrate the Group's networks, lack of required updates or modifications, data leakage, and human errors, pose a direct threat to the Company's data and business. It should be noted that the Company's technology systems are not fully protected from cyber-attacks. The Company currently seeks to improve them, noting that one of its Subsidiaries was subjected to a cyber-attack in 2019G that led to the loss of many important documents and files, which adversely affected the operations of such Subsidiary and the Group. There can be no assurance that the Group will succeed in responding to any future attacks. If the Group's technology systems are penetrated in the future, this will have an adverse effect on the Group's business, financial position, results of operations and future prospects.

Moreover, the Company does not currently maintain a comprehensive ERP system for all its departments and units, which leads to the unavailability of data in a timely manner and when needed. In addition, this also leads to a higher risk of human error and inaccurate and incomplete financial information, which will affect the Company's business, results of operations, financial position and future prospects.

The Group's technology systems may malfunction due to unexpected force majeure events or cyber-attacks. Such events may lead to the Group losing important information or leaking confidential and sensitive information related to the Company's business or customers, which may adversely affect the Company's business or expose it to lawsuits. In addition, the Group may incur significant operating costs and consequences due to the upgrade of its IT systems or the Company adopting additional measures to protect its data or IT systems. The facilities or systems of the Group or its third-party service providers may also be vulnerable to security breaches, cyber-attacks, sabotage, theft, viruses, data loss or corruption, programming, human errors, or other similar events. It may be difficult for the Group to anticipate breaches of its information systems, quickly take appropriate preventive measures, or detect and address a threat. Any security breach, cyber-attack, sabotage, theft, virus, data loss or corruption, programming or any human errors on the part of any of the Group's employees would have an adverse effect on the Group's business, financial position, results of operations and future prospects.

2.1.16 Risks related to the adequacy of insurance coverage

The Group's operations may be affected by a number of risks and events, including errors and hidden defects, work accidents, natural disasters, accidents, terrorist acts, sabotage and war-related events, for which adequate insurance coverage may not be available on commercially reasonable terms. In addition, the severity and frequency of various events, such as accidents and other mishaps, business interruptions or potential damage to the Group's facilities, property and equipment caused by severe weather, human error, pollution, war and natural catastrophes, may result in losses or expose the Company to several liabilities. In addition, due to the work nature of the Company and its Subsidiaries, a number of insurance policies should be in place, such as hidden defect and other policies for a certain period of time.

The Group secures and renews several insurance policies on an ongoing basis to cover these events (for more details about such policies, please see Section 9.15 "**Insurance**"). The Company cannot give assurance that its insurance coverage will be sufficient to cover losses arising from any or all of such events, or that it will be able to renew the insurance coverage on commercially reasonable terms or at all.

In addition, the Company's insurance policies include a number of events that are excluded from insurance coverage, in addition to other limitations related to insurance coverage that are negotiated with insurance companies. The Group's ability to obtain the compensation due from the relevant insurer depends on the financial solvency of such insurer and its ability to pay the compensation value. Therefore, the insurance may not cover all the losses that may be incurred by the Group. These losses may exceed the limits of the insurance policies or be outside the scope of the insurance coverage prescribed in these policies. If the Company does not have sufficient insurance coverage for any future risks or accidents, this may lead to the Group losing its properties, projects and future revenues related to such projects. The Group may in some cases be exposed to financial liabilities related to the affected property. If any of such risks occurs, they will have an adverse effect on the Group's business, financial position, results of operations and future prospects.

2.1.17 Risks related to related party transactions and their documentation

Al Akaria deals with related parties in the ordinary course of its business, which are mainly represented in contracts and transactions with its Subsidiaries (for more details about the current contracts with related parties, please see Section 9.9.1 "**Related Party Contracts and Transactions**" and Section 9.9.2 "**Material Contracts with Related Parties**"). In accordance with the capital market laws, the Company shall disclose such contracts in accordance with the disclosure requirements of the relevant regulations and such contracts shall be reviewed by the Audit Committee. It should be noted that the Company has not disclosed all its related party transactions in accordance with the relevant laws, which may expose it to various penalties that may be imposed by CMA. In addition, the Company's failure to define and identify related parties or understand the surrounding regulatory environment may affect its commitment to monitor these transactions and ensure that they are reviewed by the Audit Committee and disclosed, which may expose the Company to several risks including penalties to be imposed by CMA in addition to uncertainty that the terms of such transactions are conducted in the interest of the Company. Upon their occurrence, these risks will have an adverse effect on the Group's business, financial position, results of operations and future prospects.

As for related party transactions in accordance with accounting standards, and as shown in the Company's financial statements, the balance of amounts due to related parties were SAR 11.9 million, SAR 5.9 million, SAR 5.1 million and SAR 17.4 million for the financial years ended 2018G, 2019G, and 2020G and the financial period ended 30 June 2021G, respectively.

The balance of amounts due to from related parties were SAR 4.7 million, SAR 0.2 million, SAR 13.1 million and SAR 27.2 million for the financial years ended 2018G, 2019G, and 2020G and the financial period ended 30 June 2021G, respectively.

The Company may not be able to renew the contracts concluded with related parties at the end of their term or renew them on terms that suit the Company's objectives. The Company may also not be able to conclude alternative contracts under the same terms or on acceptable terms to the Company. Accordingly, if any of the agreements with related parties is terminated or the Company is unable to renew them on appropriate terms, or find alternative contracts with third parties, this will have an adverse effect on the Company's business, results of operations, financial position and future prospects.

It should be noted that the Company was doing business with its Subsidiaries (in particular Mumtalakat and Tamear) by issuing purchase orders, and without signing agreements and contracts that include detailed terms and conditions as applicable to such transactions. It should be noted that the Company does not have any valid purchase orders as at the date of this Prospectus. In addition, the Company granted two financing loans to Tamear based on letters and without a written contract containing the customary terms and conditions, with a financing ceiling of (3,500,000) Saudi Riyals, from which Tamear has so far withdrawn an amount of (2,000,000) Saudi Riyals, and another with a financing ceiling of (4,000,000) from which Tamear has so far withdrawn an amount of (999,171.85) Saudi Riyals.

The Company's entry into transactions with related parties or any third parties without concluding agreements that fully set out the obligations and rights of each party may result in a number of risks, including the Company's failure to obtain all the services and the required quality and the Company's inability to establish its rights under such transactions in the event of any disputes between the parties and the Company incurring additional costs. All these risks may have a material and adverse effect on the Company's business, financial condition, results of operations and future prospects.

2.1.18 Risks related to the Audit Committee's comments

The Audit Committee's report for 2021G included the Committee's comments regarding the Company's internal control system which still needs developments and annual follow ups by the Company's Executives, and the Committee's comments included:

1. The lack of an active risk management system in the Company as required, which led to an increase in the Company's exposure to operational, financial and other risks, and the weakening of the Company's internal control system;
2. An unauthorized authority's matrix, the policies update project is yet to be completed, which is considered to be a major part of establishing a good control environment and an adequate internal control system in the Company and its Subsidiaries; and

3. The committee's inability to ensure the implementation and the effectiveness of the proposed procedures by the executive management in the first quarter of the financial year 2021G in relation to addressing the shortcomings raised by the Audit Committee in its 2020G report.

There can be no assurance that the corrective steps taken by the Company are sufficient to address all deficiencies identified by the Audit Committee.

This shortcoming in the Company's internal systems may result in the lack of effective internal control systems in line with the relevant regulations and instructions. It may also lead to the Company failing to carry out its business, implement its strategy and fulfill its statutory and contractual obligations, and penalties and fines to be imposed on the Company. This would have a material adverse effect on the Company's business, financial position, results of operations and future prospects.

2.1.19 Risks related to the violation of the Companies Law and the CMA's Laws and Regulations

As Al Akaria is a listed company on the Exchange, Al Akaria is subject to all the laws and regulations of the CMA, which include the Corporate Governance Regulations, ROSCOs, etc. These regulations include various, precise and strict obligations that all listed companies must abide by. The failure to comply with such regulations results in the Company being exposed to several penalties such as various warnings or financial fines of up to five million (5,000,000) Saudi Riyals.

The CGRs include mandatory provisions related to the formation of boards of directors and their committees, competencies, responsibilities, meetings and rights and duties of their members, and provisions related to events of conflict of interest between their members and the Company. This is also to ensure a clear relationship between the shareholders and the board of directors on the one hand, and the Executive Management team on the other hand. It also ensures the rights of the shareholders in such companies, such as the right to fair treatment without discrimination and transparently obtaining information so that they can exercise their statutory rights to the fullest extent. It should be noted that the Company is not committed to some mandatory articles, such as the lack of certain policies required in accordance with the CGRs (i.e. dividend policy, disclosure policy, general assembly procedures, and competition standards), and failure to comply with periodic disclosures such as the disclosure of related party transactions and the disclosure of all Subsidiaries, failure to disclose contracts in which the Directors have an interest and to obtain the General Assembly's approval. The failure of Al Akaria to comply with all the requirements of the CGRs may expose it to fines imposed by the regulatory authorities, which would have a material and adverse effect on Al Akaria's business, results of operations, financial position and future prospects.

In addition, the Group is subject to the Companies Law, which includes provisions regulating all companies of all kinds. The failure to comply with such provisions results in companies being exposed to penalties including fines of up to SAR 500,000. It should be noted that the Company has not paid the capital to two Subsidiaries amounting to a total of SAR 20,000,000, which may result in obligations of this value or fines by the Ministry of Commerce. In addition, some of the Subsidiaries' bylaws have not been completely amended to comply with the Companies Law and its recent amendments. This may expose the related Subsidiary to a fine of not more than SAR 500,000 to be imposed by the Ministry of Commerce, which would have a material and adverse effect on the Group's business, results of operations, financial position and future prospects.

2.1.20 Risks related to contracts and business in which the members of the Board of Directors have an interest

Article 71 of the Companies Law stipulates that no member of the Board of Directors shall have any interest, directly or indirectly, in the transactions or contracts made for the Company, except with authorization from the Ordinary General Assembly and according to the controls imposed by the competent authority. Such board member shall inform the Board of Directors of any interest, directly or indirectly, in the transactions or contracts made for the Company and such disclosure shall be recorded in the minutes of the Board Meeting. Such board member may not participate in voting on the resolution to be issued in this regard in the Board of Directors and the shareholders' assemblies. Once the Ordinary General Assembly convenes, the Board Chairman shall inform it of the businesses and contracts in which a Board Member has a direct or indirect interest. The notice shall be accompanied by a special report from the Company's External Auditor. Article 71 of the Companies Law provides that if the Board Member fails to declare its interest, the company or any interested party may claim before a competent judicial entity the voidance of the contract or oblige such member to pay any profit or benefit therefrom. Accordingly, if a Director fails to disclose any interest in a contract or work done for the account of Al Akaria and obtain the Assembly's approval, this may expose the Company and the Director to penalties in accordance with the Company's Bylaws and the laws of CMA, in addition to the stakeholders' ability to cancel the contract. This would have a material and adverse effect on Al Akaria's business, results of operations, financial position and future prospects.

It should be noted that the Company entered into a credit facility contract with the Public Investment Fund (for more details about these facilities, please see Section 9.9.3 "**Credit facility**"). As there are representatives of the Public Investment Fund on the Company's Board of Directors, this contract may be considered an indirect conflict of interest for the representative members. Such contract achieves financial or non-financial benefits to a legal person represented by these Directors, which is the Public Investment Fund, in accordance with Article 58 of the Regulatory Rules and Procedures issued pursuant to the Companies Law relating to Listed Joint Stock Companies (for more details about the Directors, please see Section 9.5.1 "**Formation of the Board of Directors**"). The Directors representing the Public Investment Fund did not disclose their interest in the facilities concluded with the Public Investment Fund, and the Assembly's approval was not obtained in accordance with the requirements of Article 71 of the Companies Law. Note that all rights and obligations of the Public Investment Fund in accordance with the credit facilities were transferred to the Ministry of Finance. Accordingly, the contract is currently made between the Company and the Ministry of Finance.

The failure of the Directors to disclose any interest they have in the contracts and business of the Company, and the failure to obtain the General Assembly's license on the conflict of interest may expose the Company and the relevant Directors to penalties in accordance with the Company's Bylaws and the laws of CMA, in addition to the stakeholders' ability to cancel the contract. This would have a material and adverse effect on Al Akaria's business, results of operations, financial position and future prospects.

2.1.21 Risks related to Directors engaging in business competing with the Company's business

Pursuant to the provisions of Article 72 of the Companies Law, a Board member shall not participate in any business that may compete with the company's business or any of the activities in which it is engaged; otherwise, the company shall be entitled to claim appropriate compensation before the competent judicial authorities unless said Board Members were sanctioned by the Ordinary General Assembly to conduct such activities in accordance with the conditions set forth by the competent authority.

Some of Al Akaria's Directors participate in a business similar to or competing with the Company's business through their ownership in companies that carry out similar activities to Al Akaria or through their membership in the Boards of Directors of other companies that carry out similar activities to Al Akaria. On 10/11/1442G (20/06/2021G), the Ordinary General Assembly approved the participation of the former Directors, Mr. Abdulfattah Kurdi and Mr. Mohammed bin Dawood, in business competing with the Company. On 01/11/1441H (corresponding to 22/06/2020G), the Ordinary General Assembly agreed on the participation of the Directors, Mr. Ibrahim Alalwan and the former director Mr. Mohammed Bin Dawood, in businesses competing with the Company.

The Directors' participation in business competing with the Company involves risks that such Directors adversely influence the Company's decisions or use the Company's information in a way that harms its interests or serves the interests of its competitors, or the failure of any Directors to disclose the competition and obtain the General Assembly's approval, which results in the Director or the Company being exposed to penalties or the Director having to resign from the Board of Directors if he does not obtain an authorization from the General Assembly or withdraw from the competing activity. There can be no assurance that any of the Directors will not participate in any act that may result in competition for the Company, a Director discloses and obtains the approval of the General Assembly in case of such participation, or the Director's decisions will not be affected by such competition. Upon occurrence, these factors will have a material adverse effect on the Company's business, financial position, results of operations and future prospects.

2.1.22 Risks related to the Company's Accumlated Losses

The Company's accumulated losses as of 30 June 2021G was 13% of the Company's share capital. There is no guarantee that the Company will not incur losses in the future or that it will be able to recover such losses in the event that they are incurred. Accumulated losses affect the Company's ability to declare dividends and to satisfy its obligations. Furthermore, if the Company's accumulated losses reached 20% or more of the Company's capital, the Company will be subject to the CMA's "Procedures and Instructions Related to Listed Companies with Accumulated Losses Reaching 20% or More of their Share Capital" which imposes requirements on the Company including public disclosures.

Additionally, if such accumulated losses reach 50% of the Company's losses, the Company will be subject to more stringent requirements as described in Article 150 of the Companies Law where the Company's management or its auditor, as soon as they become aware of such losses, must inform the chairman of the board, who must directly inform the board. Within 15 days, the board must call an extraordinary general assembly to meet within 45 days to decide whether to increase or decrease the capital of the Company so that the losses become less than half of the share capital of the Company or to dissolve the Company before the date set out in its bylaws. Article 150 provides that the Company will be deemed dissolved by the force of law if: (i) the general assembly does not meet within the specified time period; (ii) the general assembly fails to issue a resolution to increase or decrease the capital of the company; or (iii) the general assembly resolves to increase the share capital and subscription to the new shares does not occur within 90 days from the date of the resolution to increase the share capital.

If any of the foregoing materializes, it would have a material adverse effect on its business, operations, financial position, cash flows and future prospects.

2.1.23 Risks related to Al Widyan and Tamear's accumulated losses exceeding half of the capital

Tamear and Al Widyan are closed joint stock companies wholly owned by Al Akaria. Accordingly, Article 150 of the Companies Law relating to accumulated losses that exceed half of the capital, shall apply thereto.

As for Al Widyan, its accumulated losses exceeded fifty percent (50%) of its capital in October 2020G. The total accumulated losses of Al Widyan amounted to 102% of its capital by the end of the second half of the financial year 2021G. On 04/12/1442H (corresponding to 14/07/2021G), the General Assembly of Al Widyan was held to consider the accumulated losses. The Shareholder (Al Akaria) agreed to provide a number of items including financial support to cover the losses and undertake to settle all the Company's obligations when due and provide funds when needed. The General Assembly of Al Widyan was held again on 09/04/1443H (corresponding to 14/11/2021G) whereby the Shareholder (Al Akaria) looked into the losses and reiterated its support.

As for Tamear, the Company's accumulated losses exceeded fifty percent (50%) of its capital at the end of 2020G. The total accumulated losses of Tamear amounted to 185.5% of its capital by the end of the second half of the financial year 2021G. On 04/12/1442H (corresponding to 14/07/2021G), the Shareholder (Al Akaria) issued a letter in which it agreed to continue the Company's operations, provide financial support to cover losses and undertake to settle all the Company's obligations when due and provide funds when needed. Tamear's General Assembly was held on 26/04/1443H (corresponding to 01/12/2021G), to look into its accumulated losses and the shareholder (Al Akaria) agreed on a number of items including providing financial support to cover the losses and undertake to settle all the Company's obligations when due.

In accordance with Article 150 of the Companies Law, the general assembly shall agree to reduce or increase the capital to the extent that the percentage of losses declines below half of the paid-up capital or dissolve the Company before the term specified in its Bylaws. If the General Assembly fails to do so, the Company shall be considered dissolved by force of law in accordance with Article 150 of the Companies Law.

It should be noted that Al Widyan and Tamear did not fully comply with the requirements of Article 150 of the Companies Law, which may result in the termination of the two companies by force of the Law. Given Al Akaria's undertaking to settle all obligations when due and provide financial support to cover losses, Al Akaria may have to settle the losses of the two companies, in addition to any penalties that may be imposed on the two companies or Al Akaria due to non-compliance with Article 150, which would have an adverse effect on the Company's business, financial condition, results of operations and future prospects.

2.1.24 Risks related to business interruption

Like all other companies, the Company is subject to business interruption for reasons beyond its control such as the suspension of any project by government agencies, expropriation of property, economic, political or health events such as the coronavirus epidemic and a number of other factors stated in this Section. The Group's interruptions during the previous twelve (12) months include the suspension of Al Widyan Project (for more details, please see Section 2.1.25 below) and the interruption of Mumtalakat's business with regard to managing facilities of several schools when the study was stopped as part of the precautionary measures to limit the spread of the COVID-19 epidemic. This has a material adverse effect on Mumtalakat as this contract is important for its business and accounts for about 13% of its investments. Despite the Group's efforts to limit its exposure to such events, or limit the impact of such accidents on it, the Group cannot guarantee that its efforts will be successful or that it will not be exposed to business interruptions, which would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

2.1.25 Risks related to the interruption of work on the Al Widyan Project

Al Akaria established Al Widyan on 16/11/1439H (corresponding to 29/07/2018G) mainly to develop and manage Al Widyan Project. Al Widyan has not started its operating activities as at the date of this Prospectus. The Royal Commission for Riyadh City (RCRC) requested the Company to suspend its development work on Al Widyan land, until the competent authorities completed the planning work and other related procedures. The matter has not been resolved to date as it is still uncertain (for more details about Al Widyan, please see Section 3.10 "**Subsidiaries**"). This business interruption, consequent disruption of future business and projects, inability to achieve the strategy and project objective, and the inability of Al Widyan to perform its business with counterpart parties, the termination of its contracts with them and its employees and other matters had a material adverse effect on the business, financial condition, results of operations and future prospects of Al Widyan and Al Akaria.

Al Widyan's losses amounted to SAR 102,174,218 as of 30 June 2021G, mainly due to business interruption. Given the Company's inability to continue its business, there can be no assurance that these losses will stop or as to how they will develop in the future. There can be no assurance that the project will resume, which may mean that Al Widyan and Al Akaria will continue to incur losses. This would have a material adverse effect on the business, financial condition, results of operations and future prospects of the two companies (for more details about Al Widyan's losses exceeding half of the capital, please see Section 2.1.23 "**Risks related to Al Widyan and Tamear's accumulated losses exceeding half of the capital**").

In addition, Al Widyan entered into several contracts upon its incorporation and thereafter to carry out Al Widyan Project. These contracts include construction, design, electricity and other contracts which reached forty (40) contracts. Al Widyan terminated a large number of these contracts, up to thirty-six (36) contracts, and suspended three (3) contracts, and there is one (1) contract in which Al Widyan is currently negotiating with the other party on how to terminate it, noting that the Company may pay the other party's claims, which may amount to SAR 10,000,000. Due to the suspension of the project and the inability of Al Widyan to fulfill its obligations pursuant to these contracts and their termination, which may expose Al Widyan to breach its contractual or statutory obligations, Al Widyan may be subject to incurring more losses and costs. This would have a material adverse effect on the Company's business and financial condition, results of operations and future prospects.

2.1.26 Risks related to the control and governance of the Subsidiaries

Al Akaria owns the entire capital of all the Subsidiaries, except for Binyah and Mumtalakat, whose capital is 60% owned by Al Akaria. In general, there is a weak governance system between the Company and its Subsidiaries, which results in Al Akaria having weak control over its Subsidiaries, in addition to the absence of framework service agreements or management agreements governing the relationship between the Company and its Subsidiaries in general.

In particular, Al Akaria has weak control over Binyah and Mumtalakat while it does own the majority of the capital, including the lack of representation in proportion to the ownership percentage. In addition, Al Akaria has not entered into partner agreements with the other partners in Mumtalakat or the other shareholder in Binyah. As a result, the relationship between Al Akaria and these partners is not governed, except by the bylaws or the memorandum of association of the Subsidiaries, which may result in future disputes between partners. In general, Al Akaria does not own the entire capital of Binyah and Mumtalakat, this may affect the Company's ability to make decisions in these two companies in line with the Company's business and strategy, which may adversely affect the Company's business, financial position, results of operations and future prospects.

2.1.27 Risks related to Alinma Real Estate Fund

The Company established the a Real Estate Development Fund in November 2018G, and Alinma Investment Company was appointed as the fund manager. Al Akaria participated in the fund through cash and in-kind subscriptions, by transferring the ownership of several real estate assets with a book value of SAR 136,426,436. Due to a change in the Company's strategy, and its lack of belief in the commercial viability of the real estate fund, the Company terminated the fund. The Company entered into a termination agreement with Alinma Investment Company on 02/10/2020G, stipulating the termination of the fund. It also included provisions related to the fund termination, such as the refund of Al Akaria's prepaid cash subscription, recovery of Al Akaria's assets that were transferred to the fund, and the annexed of the agreement as of 19/10/2021G.

Al Akaria paid a cash subscription of fifty million (50,000,000) Saudi Riyals. The majority of Al Akaria's cash subscription was refunded, less ten million (10,000,000) Saudi Riyals as termination fees to Alinma Investment Company. The remaining five million (5,000,000) Saudi Riyals have not been refunded to Al Akaria so far. This amount was agreed to be refunded with the in-kind subscription. The majority of the in-kind subscription has not been refunded so far to Al Akaria. Real estate assets with a total book value of SAR 120,943,239 have not been transferred. The Company and Alinma Investment Company are now in the process of completing these procedures. However, the delay in transferring them is due to the consideration of whether the real estate transaction tax is applicable to such transfer.

In the event of a delay in transferring the ownership of real estate assets or failure to transfer them for any reason, if they are transferred and real estate transaction tax or fees are imposed, if the remaining amount of the cash subscription is not refunded, or if Alinma Investment Company, the custodian or other parties fail to comply with their obligations related to the fund termination process, these events will have an adverse effect on the Company's business, financial position, results of operations and future prospects.

2.1.28 Risks related to leases and rental income

As the Company heavily depends on rental income, any factor that affects the concluded lease agreements or revenue and its collection will have an adverse effect on the Company's business, financial position, results of operations and future prospects. The Company heavily relies on rental income which represented 99.4%, 78%, 50.6% and 37% for the financial years ended 31 December 2018G, 2019G, 2020G and the financial period ended 30 June 2021G, respectively.

Pursuant to the Council of Ministers' Resolution No. 292 dated 16/05/1438H (corresponding to 13/02/2017G), a lease contract that is not registered in the electronic network for rental services, "Ejar," shall be null and void and shall not have administrative or judicial effects. Leasing is one of the Company's main activities. The Company has about one thousand nine hundred thirty (1920) existing leases as of 31 March 2022G.

The Company is partially committed to registering these contracts in Ejar. It has registered only six hundred ten (610) contracts in Ejar (representing 31.77% of the total number of contracts) as of 31 March 2022G. As a result, unregistered lease contracts may not be considered valid contracts that produce their administrative and judicial effects, which may affect the Company's ability to judicially enforce these contracts and claim its rights according to these contracts. This would have an adverse effect on the Company's business, financial position, results of operations and future prospects.

It should be noted that there is a concentration of rental income in a specific number of main tenants. The total rental income from the top 10 tenants accounted for 20% of the Company's total rental income as of 30 June 2021G (for more details in this regard, please see Section 9.9.5 "**Lease agreements**"). Accordingly, if the Company is unable to maintain its contracts with the main tenants or renew them on appropriate terms, this may adversely affect the Company's revenues.

The financial position of the Company's tenants (including the main tenants) may be adversely affected in the future due to a number of economic and other factors, in addition to the strength of competition from other property owners by reducing rents, which may result in, among other things, the Company having to reduce rents at the request of the tenants or the failure of some tenants to pay the rents due and the Company collecting such debts with additional costs or at all. This would have an adverse effect on the Company's revenues, financial position, results of operations and future prospects.

The Company typically collects rent on a monthly or yearly basis. The Company uses this revenue as cash for its business. There can be no assurance that rents will be collected on their due dates. Any delay or default will adversely affect the Company's cash flow. If this occurs, the Company may not be able to find alternative sources of financing of working capital or meet its obligations. The Company may have to obtain additional financing from commercial banks, which would force it to incur the costs to obtain financing, interest costs, etc., which would have a material adverse effect on the Company's revenues, financial position, results of operations and future prospects.

In addition to the foregoing, the Company may not be able to renew the leases concluded with the tenants under the same or better terms. In the event of non-renewal, the Company may not be able to conclude leases with new tenants under the same or better terms. In addition, the Company may not be able to quickly vacate the rented properties and sites after the termination of the related leases or due to the tenants' failure to comply with the leases, which may affect the Company's ability to benefit from these properties immediately. This may result in a decrease in the Company's revenues, which would adversely affect the Company's business, financial position, results of operations and future prospects.

2.1.29 Risks related to paper title deeds

Due to the nature of the Company's activities, the Company's real estate assets and ownership of such assets are key to the Company and its business, financial position and future prospects. Accordingly, everything that affects the Company's rights and ownership of such real estate assets or ability to dispose of them will have a material adverse effect on the Company's business, financial position, results of operations and future prospects.

Al Akaria owns its lands as per title deeds issued by the notary public in the Kingdom. Al Akaria succeeded in converting most of the title deeds into electronic ones, which gives them greater authority as there is no dispute over their ownership or the right to dispose of them. However, Al Akaria still has twelve (12) paper title deeds related to real estate assets with a book value of SAR 358,176,867 as of 30 June 2021G. Unlike electronic title deeds, these paper title deeds may result in more disputes over the ownership and the right to dispose of the real estate assets as there may be other title deeds or unknown owners or rights over the property according to other instruments that are not recorded in the title deed and other matters. In addition, these title deeds are subject to loss, damage, writing, need to be endorsed or other matters that may affect them and make them ineffective or invalid. If any such matters occur, this will have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.30 Risks related to land ownership disputes

The ownership of real estate properties has inherent and intrinsic risks, particularly risks related to disputes over ownership especially given that there is no definitive central registry for landowners. The Kingdom has no law providing that title deeds may not be invalidated. Accordingly, the competent judicial authorities may invalidate title deeds for various reasons, including previous evidence of land ownership, regardless of being historical or old, including the existence of an old problem in the ownership transfer of the land, even if it was transferred to a bona fide buyer and such transfer is registered by a notary public. Accordingly, the Company may not be able to prove its ownership of all its lands conclusively and definitely. In addition, legal disputes may arise in relation to these real estate properties. Such disputes may raise doubts about the Company's right to own and occupy the relevant lands, or may lead to the Company losing the ownership of land it owns, which would have a material adverse effect on the Company's business, financial position, results of operations and future prospects.

2.1.31 Risks related to stopping work on lands

Real estate assets are affected by civil and urban planning by regulators, disputes over title deeds and other matters. This may lead to stopping development and work on a certain land until the dispute is resolved or it is agreed with the regulator on how to benefit from the land, which may result in stopping development on certain lands (for more information on suspended lands, please see Section 9.10 "**Real estate assets**"). The continuation of the current and other interruptions is beyond the Company's control. It cannot expect or guarantee that such interruptions will not occur. These interruptions, their continuation, or the occurrence of other similar events would have a material adverse effect on the Company's business, financial position, results of operations and future prospects.

2.1.32 Risks related to mortgages

A number of the Company's lands are mortgaged to financiers as security for its debts (for more information on mortgages, please see Section 9.10.3 "**Mortgages**"). If the Company fails to abide by the provisions of the credit facilities mortgaged to the lands in accordance with them, the financier may enforce the mortgage and sell the land to obtain the debt. Such sale may be made at an unsuitable or unfair price or at an inappropriate time, or may cause an interruption in business and development on the land under construction. All these risks, if they occur, would have a material adverse effect on the Company's business, financial position, results of operations and future prospects.

2.1.33 Risks related to the non-reflection of the book value of the Company's real estate properties and the related valuation of the market value of these real estate properties

The Company's assets are recognized at net book value, which represents the original cost of the assets, less the value of accumulated depreciation, amortization and impairment. In addition, the book value or net book value of assets in the Company's financial statements does not necessarily reflect its fair market value. The fair market value can be lower or higher than the recognized book value of the real estate asset.

Furthermore, the Company conducts an annual assessment of its investment assets to test any potential impairment. If there are any impairments (i.e., the fair value is less than the book value), the Company's Auditor will write off the difference between the fair value and the book value. Such difference is recognized as a loss in the Company's financial statements. Even if the valuation price and the book value of any property increase at a certain time, this will not necessarily lead to an improvement in the Company's financial position until the property is sold and a profit is collected. As a result, unrealized gains by increasing the book value of the property at each valuation will not necessarily lead to a profit or an increase in the Company's total assets in the Company's financial statements.

As a result, the book value and market values included in this Prospectus should not be taken as an indication of the returns that can be achieved from the sale of any real estate asset. Upon occurrence, the above factors would adversely affect the Company's business, financial position, results of operations and future prospects.

2.1.34 Risks related to litigation

The Company and the Group are involved in a number of lawsuits, as well as a number of labor issues that fall within the course of their ordinary business. There is one lawsuit filed against the Company (as a defendant) with a value of SAR 2,669,152. The total number of lawsuits filed by the Company (in its capacity as a plaintiff) as of 31 March 2022G is about thirty (30) cases related to the collection of real estate rent, eviction of real estate and rent arrears, which are filed in the ordinary course of the Company's business. The total claimed amounts are about SAR 10,238,918. Note that this amount is approximate as the total amount of claims under such cases may be higher or lower. It should be noted that Al Akaria did not make any financial provision in this regard, nor did it write off or cancel the indebtedness with respect thereto. Additionally, there are also four (4) substantive cases filed by the Company (in its capacity as a plaintiff) for a total amount of about SAR 294,941,086.

In addition, as of 31 March 2022G the Company has a number of final judgments and promissory notes whose implementation procedures have not been completed. The Company is still in the process of collecting such amounts, noting that most of these cases are related to fee collection and filed in the ordinary course of the Company's business. The total amounts owed to the Company are about SAR 5,896,778. Note that a financial provision was made for such amount. Except as stated above, the Company is not a party to any other lawsuit and no final judgment against the Company has yet to be enforced.

As of 31 March 2022G, Al Akaria's Subsidiaries are not a party to any lawsuits or litigations.

The Company and its Subsidiaries are also subject to other legal disputes with their customers, counter parties or others. Such disputes may be of material amounts and there can be no assurance that the results of such disputes will be in the interest of the Company and its Group. Therefore, the loss of the Company and its Group in any dispute or their failure to accurately provide for the disputed amounts will have an adverse effect on the Group's business, financial position, results of operations and future prospects.

For more details on lawsuits and legal claims, please see Section 9.11 "**Lawsuits and Claims**." As for the Zakat status and Zakat disputes, please see Section 9.12 "**Zakat Position of the Group**."

2.1.35 Risks related to contracts with third parties

The Company and its Subsidiaries have a number of material contracts and agreements with third parties (for more details about these contracts, please see Section 9.9 "**Material Contracts**"). The Company may be exposed to the risk of the contracting parties being unable to fulfill their obligations under these contracts or their unwillingness to fulfill their contractual obligations. The contracting parties may breach their obligations for any reason, including bankruptcy, insolvency, disruption of their operations, or other reasons, including market conditions in general. In addition, the Company cannot guarantee that these parties meet the Company's aspirations and prospects in relation to the performance of their obligations under the contracts. In addition, the Company and its Group may not be able to comply with the provisions of these contracts for reasons beyond their control or for commercial reasons, which may expose them to contractual penalties, future disputes or issues. The Group also does not guarantee its ability to maintain or renew such agreements on appropriate terms.

If a contracting party or the Company and its Group breach the concluded contracts or are unable to comply therewith, or if any of the material agreements is terminated and the Group does not enter into alternative agreements on appropriate terms, this will have a material adverse effect on the Group's business, financial position, results of operations and future prospects.

2.1.36 Risks related to the presence of some of the Company's assets on leased lands in the Diplomatic Quarter

The Company has material assets in the Diplomatic Quarter, located on lands not owned by the Company, but leased from RCRC. Typically, these leases have fixed-terms (for more details about these contracts, please see Section 9.9.4 "**Other Material Contracts**"). The rent value under these contracts increases proportionally every year as agreed upon. Due to the nature of the contracting party, which is the RCRC, these contracts are generally not similar to the standard leases in the market. They contain preferential terms for RCRC, including an evaluation method for properties built on the leased land if the relevant contract is terminated. Such evaluation is based on the cost value or market value (whichever is lower). In addition, Al Akaria and its tenants are subject to the regulations of the Diplomatic Quarter, which gives the RCRC rights such as terminating the tenants' contracts based on its absolute discretion. If the RCRC exercises any of such rights, this will have an adverse effect on the Company's business, financial position, results of operations and future prospects.

The Company cannot guarantee that decisions will not be issued to amend the terms and conditions of the lease agreements concluded with the RCRC, especially with regard to the rent value or any additional fees that may be imposed, whether during the term of these contracts or upon their renewal. This will result in an unexpectedly higher cost, which would have an adverse effect on the Company's investments in the Diplomatic District. Moreover, the Company may not be able to maintain or renew these contracts under the same terms and conditions, which may result in the Company having to vacate the land and losing the value of the assets that the Company developed on such properties. Upon their occurrence, all such risks would have an adverse effect on the Company's business, financial position, results of operations and future prospects.

2.1.37 Risks related to credit facilities

The Company's business depends on its ability to obtain credit facilities from third parties to finance its operations. The total debt of the Company was SAR 3,784 million, SAR 3,732 million, SAR 4,113 million and SAR 3,933 million as as 31 December 2018G, 2019G and 2020G, and the periods ended 30 June 2021G, respectively. The Company's total debt accounts for one hundred forty percent (140%) of the total shareholders' equity. The facility agreements include several guarantees issued by the Company, in addition to several restrictions on the Company's business (for more details about such agreements and guarantees issued in accordance with them, please see Section 9.9.3 "**Credit facility**"). These debts represent material obligations on the Company. If the Company is unable to pay the amounts due on time or reschedule the payments in the event of its inability to pay them, or if it breaches any guarantee, obligation or restriction under the credit facility agreements, this will constitute a material breach that may give the creditor the right to require the Company to pay all debts prior to their effective due date. In addition, if the Company breaches any of its obligations under any of the credit facility agreements, this may lead to the Company automatically breaching all other facility agreements, which gives the other creditors the right to require the Company to pay all debts under the other facility agreements prior to their effective due date. This would have a material adverse effect on the Company's business, financial position, results of operations and future prospects.

It should be noted that the Company breached a number of its obligations in accordance with the credit facilities provided by the Saudi National Bank. It is in the process of rescheduling them and negotiating with SNB to resolve this issue. If the Company fails to reach an agreement to waive any breach or reschedule such debts, this may give SNB the right to require the Company to pay all debts prior to their effective due date. In addition, a breach of any of the credit facilities to which the Company is a party may be considered an automatic breach of the other facility agreements, which will give the creditors the right to require the Company to pay all their debts owed to them prior to their effective due date. If the Company fails to pay the debts, such creditors can enforce the guarantees given to them (e.g. promissory notes). If these events occur, they will have a material adverse effect on the Company's business, financial position, results of operations and future prospects.

Moreover, if the Company or any of its Subsidiaries is unable to obtain the necessary financing to fulfill its obligations and carry out its future business and projects in accordance with its strategy or obtain financing on appropriate terms, this may have a material adverse effect on the Group's business, financial position, results of operations and future prospects.

2.1.38 Risks related to the construction, contractors and other parties

The Company's business depends on the correctness and safety of the design, construction and maintenance of its facilities. Any defects or errors in the design or construction of facilities, including defects in the materials used, the design, safety standards, etc., may affect the operating performance of such facilities. The Company may incur additional repair costs to repair these facilities or financial and legal obligations due to the injury of a tenant or visitor to its facilities, in addition to the damage that may be caused to the Company's reputation accordingly. This would have a material adverse effect on the Company's business, financial position, results of operations and future prospects.

The Company is currently developing Alakria Park project, which is still under development alongside other projects which involves several risks that may affect its progress and quality. Accordingly, this may adversely affect the Company's business, financial condition, results of operations and future prospects. These risks include, but are not limited to:

- Delays in obtaining all licenses, permits, approvals, etc. that are required for zoning, land use, construction, development and occupancy works, or the refusal of an application for any of them;
- Unexpected engineering, environmental or geological problems;
- The Company's inability to obtain the necessary financing arrangements on acceptable terms or at all, and to finance construction and capital improvements and provide any necessary future performance guarantees may be required during the construction phase;
- Subcontractors' default, bankruptcy, insolvency, or disputes with contractors or subcontractors;
- The unavailability of supporting infrastructure for reasons including the failure of third parties to provide facilities, transportation and other necessary or desirable factors for the successful operation of the project;
- Defects in design or construction work or projects not being completed according to design specifications;
- A shortage or defect in materials or equipment and a lack of labor;
- Availability of lands in suitable locations for the Company's projects;
- An increase in the cost of building materials (e.g. raw materials such as steel and other commodities commonly used in construction), energy, construction equipment and other necessary necessities, as a result of commodity price increases, inflation, etc.;
- A shortage of project managers, contractors and construction specialists with the Company or third parties who are responsible for ensuring the delivery of planned projects on time and within budget;
- The contractors' breach of their obligations, including the contractors' non-compliance with the agreed schedules; and
- Bad weather conditions, natural disasters, accidents and force majeure events.

Real estate development involves a number of building, financing, operating and other risks. The Company recognizes the revenues generated from its ongoing projects according to the percentage of the completion of construction works. In turn, material delays in construction work will delay the revenue that the Company can generate. Such delays could have a material effect on the time over which the Company can recognize the relevant revenue, which could result in potentially large fluctuations in financial results. This applies to high-value projects, in which a slight delay in the construction progress may result in delaying the recognition of large amounts of revenue.

The Company will perform several new projects or work on improving or changing existing projects. These future plans may be exposed to the above risks and may increase based on the size and complexity of the project. There can be no assurance that any future project will be completed properly on time and at the expected cost. If any such matters do not occur, this will affect the Company's business, financial position, results of operations and future prospects.

In addition, the Company does not carry out infrastructure or construction and contracting works. Instead, the Company contracts with third parties to carry out such works, including infrastructure works, construction, internal works, installation of electricity, water, air conditioning systems, etc. It does not carry out utility management work as contracts a third party for these. There can be no assurance that the level of services and business provided by these parties will be up to the expected standards or they will not fail to fulfill their duties under the contracts therewith. In addition, the Company is exposed to the risk of lawsuits resulting from the contractors and workers of such parties causing damage to any persons or property, for which the Company may incur additional costs and obligations. All of these factors will affect the Company's business, financial position, results of operations and future prospects.

2.1.39 Risks related to contingent liabilities

Some contingent liabilities may be incurred by the Company and its Group, such as costs related to existing contracts, Zakat-related costs, and other obligations and costs related to the activity of the Company and its Group such as government licenses (for more details about the Company's continuing obligations, please see Section 9.8 "**Continuing Obligations Imposed by Government Entities on the Company in its Capacity as License Holder**"). If such obligations are realized, this will have an adverse effect on the Group's business, financial position, results of operations and future prospects.

The total contingent liabilities of Binyah, according to the facilities granted thereto, amounted to SAR 16.3 million, SAR 129 million and SAR 89.7 million for the period ended 31 December 2019G, 31 December 2020G and 30 June 2021G, respectively. Note that it had no contingent liabilities on 31 December 2018G. The facility agreements include several guarantees issued by Al Akaria and Binyah, in addition to several restrictions on Binyah's business (for more details about such agreements and guarantees issued in accordance with them, please see Section 9.9.7 "**Credit facility Contracts with the Subsidiaries**"). These contingent liabilities represent material obligations on Binyah. If Binyah is unable to perform its obligations in the related projects, or if it breaches any guarantee, obligation or restriction under such agreements, this will constitute a material breach that may convert such contingent liabilities into outstanding liabilities, which would have an adverse effect on the Company's business and may affect Al Akaria due to its issuance of guarantees. This would affect the financial position, results of operations and future prospects of the two companies.

2.1.40 Risks related to the Zakat status

The Group is subject to Zakat and tax requirements in the Kingdom. Any increase of Zakat charges and/or tax requirements applicable to the Group may adversely affect its profitability. The Company does not have any amounts due to the Zakat, Tax and Customs Authority for the financial years prior to 2016G. All Zakat assessments were settled for such period. As for the years from 2016G and onwards, ZATCA claimed additional Zakat dues as follows:

- With regard to 2016G, ZATCA claimed additional Zakat dues of SAR 5,014,254.81. The Company objected to such increase by filing a claim before the General Secretariat of Tax Committees which has not been determined so far.
- With regard to 2017G, ZATCA claimed additional Zakat dues of SAR 15,631,725. The Company objected to such increase by filing a claim before the General Secretariat of Tax Committees which has not been determined so far.
- With regard to 2018G, ZATCA claimed additional Zakat dues of SAR 8,701,937.5. The Company objected to such increase by filing a claim before the General Secretariat of Tax Committees which has not been determined so far.
- With regard to 2019G, ZATCA required additional Zakat dues of SAR 13,122,643.11. The Company has initially objected which has been partially accepted whereby the additional Zakat amount was reduced to 11,235,778.69, the Company is currently objecting to the remaining items.
- With regard to 2020G, ZATCA required additional Zakat dues of SAR 12,705,320.15. The Company has initially objected which has been partially accepted whereby the additional Zakat amount was reduced to 12,144,172, the Company is currently objecting to the remaining items.

Note that the Company covered all potential differences in relation to the Zakat provisioning. It is difficult for the Company to determine the Zakat differences that may be imposed thereon in the future, or ensure that ZATCA does not claim any Zakat differences. If the Company is required to pay higher amounts than expected, or if the Company is obligated to pay differences that the Company did not anticipate or provide for in the future, this may adversely affect the Company's business, results of operations and future prospects.

For more details about the Zakat status of the Group, please see Section 9.12 "**Zakat Position of the Group**," and for more details about the Zakat certificates, please see Section 9.7 "**Government Certificates, Approvals and Licenses**."

2.1.41 Risks related to the effective control of the Substantial Shareholder and the Company's reliance thereon

The Company has one Substantial Shareholder as at the date of this Prospectus, which is the Public Investment Fund (PIF), which owns 64.57% of the Company's capital. If the Public Investment Fund subscribes to all its Rights Shares, it will remain the owner of this percentage. In addition, the ownership of the PIF may increase if the PIF purchases additional Rights and subscribes to additional shares. Due to its ownership percentage, the PIF is able to influence all matters and decisions that require the Shareholders' approval, including the election of the Board of Directors, approval of capital changes, amendments to the Bylaws and other matters.

The interests of the Substantial Shareholder may differ from the interests of other shareholders in the Company. The Substantial Shareholder may prevent them from making certain decisions and actions that may protect their interests, including postponing, delaying, or changing control of profits or their distribution, or may reduce or increase the supply and demand for shares due to its large ownership percentage. This may affect the share price and the value of the other shareholders' investment. These powers may be used in a way that adversely affects the Company's business, results of operations, financial position and future prospects.

Furthermore, the Company relies on the PIF as a primary sales channel with customers for infrastructure construction services, which led to an increase in revenues from infrastructure projects from 40% in the year ended 31 December 2020G to 59.2% in the six-month period ended 30 June 2021G. Accordingly, any change in the strategy of the Substantial Shareholder regarding or the PIF's support for the Company in this respect may adversely affect the flows of infrastructure customers, which would have a significant effect on the Company's business, results of operations, financial position and future prospects.

2.2 Risks related to the market and industry

2.2.1 Overall risks related to the real estate market

The performance of the Company and its Group is subject to all risks related to investing in the Saudi real estate sector, including negative changes in economic conditions at the regional or global level, local market conditions, the financial position of real estate tenants, purchasers and sellers, excessive oversupply in the commercial sector, lack of demand, competition, and changes in the relative demand for types of real estate properties and locations, other emergency events and conditions and other factors outside the control of the Company. Upon their occurrence, these events would have an adverse effect on the Group's business, financial position, results of operations and future prospects.

2.2.2 Financial, economic and natural disaster risks

All of the Group's operations are concentrated and the majority of its assets are located within the Kingdom. The Group's future financial performance depends on a number of factors related to the economic conditions in the Kingdom in general, including, but not limited to, inflation factors, GDP growth, average per capita income, interest rates and other economic factors. Although the Kingdom continues to diversify its economy, it is still dependent on its income from the oil sector in the implementation of economic plans. Therefore, any drop in oil prices may lead to an economic slowdown in the Kingdom or reduce government spending, which would affect the economic condition in the Kingdom in general. In addition, the continuation of the Kingdom's economic growth depends on several other factors, such as the continuation of population growth and the investments of the public and private sectors in infrastructure. Accordingly, any negative change or deterioration in the financial and economic conditions in general in the Kingdom would have a material adverse effect on the Company's business, financial position, results of operations and future prospects.

In addition, the Company is subject to being adversely affected by any natural disasters that may affect the geographical areas in which the Company's assets are located, including earthquakes, floods, fires, torrents and other natural disasters that cannot be foreseen or guaranteed not to occur. Accordingly, the occurrence of any natural disasters in the areas where the Company's assets are located would have a material adverse effect on the Company's business, financial position, results of operations and future prospects.

2.2.3 Risks related to COVID-19

The emerging epidemic of the novel coronavirus (COVID-19) has led to greatly ambiguous conditions surrounding the economy and demand as well as turmoil and volatility in global markets during 2020G. While the global markets have begun to recover, a prolonged period of volatile and unstable market conditions may increase financing and other costs. The volatility in global capital markets since March 2020G has also resulted in an increased volatile currency exchange rate risks, investor expectations, and other effects. In addition, governments, including the Kingdom's government, imposed strict precautionary measures to limit and combat its spread, including curfews and suspension of personal attendance in schools and recreational and other places, suspension of visas for tourists, workers and other persons, and restrictions on the times when it is allowed to carry out any economic activities, and travel ban between cities or countries, and other measures, which affected the real estate sector and the property management sector in general. For example, construction work on several projects of the Company was suspended due to the curfew and other decisions that were issued to limit the spread of the virus. A material school contract of Mumtalakat was canceled due to the suspension of attendance studies, which adversely affected Mumtalakat's business, financial position, results of operations and future prospects. As a result of the spread of the epidemic, the Company granted the tenants a grace period of forty-five (45) days. Consequently, the Company's revenue decreased by SAR 3.4 million in the year ended 31 December 2020G.

Even though the COVID-19 vaccine has been made avaliable, it is difficult to predict and determine how and when all the negative effects of this epidemic will disappear. In addition, the Company cannot determine and define the losses it incurred or will incur accordingly. The above risks also apply if in the future other infectious diseases break out, or serious health risks emerge that threaten the public in the Kingdom. Any of the above factors (including future outbreaks of infectious diseases) and future developments that occur in connection with the COVID-19, or any other epidemic and pandemic, would have a material adverse effect on the Group's business, financial position, results of operations and future prospects.

2.2.4 Risks related to foreign exchange

The functional and presentation currency of Al Akaria and its Group is the Saudi Riyal. However, they enter into some external transactions in USD. While Al Akaria does not largely depend on foreign exchange, the change in foreign exchange rates will result in fluctuations in the value of financial instruments and a change in the economic condition in general due to such fluctuations. Accordingly, any change in exchange rates or the de-pegging of the Saudi Riyal from the USD would have an adverse effect on the Group's business, financial position, results of operations and future prospects.

2.2.5 Political and security risks

The Company and its Group conduct their activities within the Kingdom. Accordingly, the Company and its Group are affected by the prevailing political and security conditions from time to time in the Kingdom and the region in general, including any sabotage, terrorist operations, attacks, etc. Accordingly, any deterioration or change in the political and security condition would have an adverse effect on the Group's business, financial position, results of operations and future prospects. In addition, the Company's assets and business and the business of its Subsidiaries are vulnerable to sabotage or terrorist attacks that the Company cannot foresee or expect. Upon its occurrence, this would have an adverse effect on the Group's business, financial position, results of operations and future prospects.

2.2.6 Risks related to VAT application

On 05/02/1438H (30/01/2017G), the Council of Ministers decided to approve the Unified VAT Agreement for the Cooperation Council for the Arab States of the Gulf (GCC), which came into force on 14/04/1439H (01/01/2018G). The VAT rate is five percent (5%) of the selling price to be added to the tax system and other fees imposed on certain sectors in the Kingdom. On 17/10/1441H (09/06/2020G), the Board of Directors of the Zakat, Tax and Customs Authority issued Decision No. 20.3.2 to increase the VAT rate to fifteen percent (15%) as of 10/11/1442H (01/07/2020G). This tax is levied on the real estate services that Al Akaria provides and receives. Al Akaria cannot guarantee that this tax will not be increased, or that no other fees or taxes will be imposed by the government in the future. Accordingly, if the tax rate increases or new taxes or fees are imposed on companies, this will have an adverse effect on the Group's business, financial position, results of operations and future prospects.

2.2.7 Risks related to real estate transaction tax application

The real estate transaction tax was imposed in accordance with Royal Order No. A/84 dated 14/02/1442H (corresponding to 02/10/2020G). The VAT tax is imposed at five percent (5%) of the value of the real estate supply, which is collected when a real estate transaction is documented. The real estate transaction tax is newly added to the tax system and other fees imposed on certain sectors in the Kingdom. It excludes the VAT tax for real estate supplies that will be made after the Royal Decree came into force.

The relatively recent application of the real estate disposal tax lacks clarity in some cases, and Al Akaria has to interpret the application method in certain cases. However, ZATCA may not agree with Al Akaria's conclusions, which may result in differences in their interpretations. If this occurs, Al Akaria may incur additional tax fees and costs, which would have an adverse effect on the Company's business, financial position, results of operations and future prospects.

In addition, future increases or changes in the real estate transaction tax or its application in the event of an increase or change in its calculation would have an adverse effect on the Company's business, financial position, results of operations and future prospects.

2.2.8 Risks related to White Land fees

Royal Decree No. M/6 was issued on 12/02/1437H (corresponding to 25/11/2015G), approving the White Land Fee Law which gradually entered into force based on area and ownership. In general, the Law imposes an annual fee of 2.5% of the value of the White Land, which is vacant land within the urban boundaries designated for residential or commercial residential use. The Company has two pieces of land currently classified as White Land for the purpose of the White Land Fee Law. In addition, the Ministry of Municipal, Rural Affairs and Housing may classify other lands owned by the Company as White Land or the Company may purchase land in the future that is classified as White Land.

As at the date of this Prospectus, the total amount of invoices and fines issued to the Company in relation to the White Land fees was SAR 211,599,657. The Company managed to obtain final judgments canceling SAR 188,214,780 from such fees and fines. With regard to the remaining amounts, a final judgment was issued against the Company for Al Widyan's land in the second session in the amount of SAR 21,653,572 fully paid by the Company to the Ministry of Municipal, Rural Affairs and Housing, and a fee was imposed on the Jeddah land for the current cycle for an amount of SAR 1,731,305 which the Company filed an objection against. (for more details about the White Land fees, please see Section 9.10.4 "**White Lands**").

The Company cannot confirm the exact amount of fees that will be charged in each session as higher-than-expected fees may be charged or there may be fees on land that the Company has not considered White Land. The Company may not succeed in canceling fees that it considers undue. Accordingly, the Company may ultimately pay a higher amount than the expected amounts and incur losses in the attempt to cancel such fees, which would have an adverse effect on the Company's business, financial position, results of operations and future prospects.

2.2.9 Risks related to the impact of the demand for residential and commercial real estate properties in the Kingdom of Saudi Arabia on the Company's business

All of the Company's properties are located in the Kingdom. With the increasing number of real estate projects, including projects under construction, the number of residential properties and commercial spaces in the Kingdom may exceed the demand for such properties and spaces, which would lead to market saturation. If the Kingdom's real estate market is saturated or the demand for residential and commercial real estate decreases or falls below its expected level, the Company may have to sell its residential units or rent its commercial units at lower prices or have to sell them at a loss or at all. The demand for residential and commercial units sold by the Company may be affected by economic fluctuations which fall beyond its control, such as access to housing credit, prevailing interest rates, unemployment rates, wage level, tax rates, and partial or total removal of government subsidies.

In addition, a small number of the Company's customers purchase real estate properties as an investment, with the intention of reselling them for a profit or renting them for rental income. If there is an actual or perceived surplus in the number of residential properties for sale in the Kingdom, potential customers may have difficulty selling their properties purchased from the Company for the expected profit or at all, which could lead to lower demand for the Company's real estate properties.

There can be no assurance that there will be a sufficient level of demand in the Kingdom's real estate market to enable the Company to sell or rent all its residential and commercial units at commercially reasonable prices or at all.

As the majority of the Company's revenues are generated from the sale and lease of residential and commercial units in the Kingdom, any negative change in the demand for the above or other reasons would have a material adverse effect on the Company's business, financial position, results of operations and future prospects.

2.2.10 Risks related to electricity, water and other services prices

In the Kingdom, regulatory authorities, including the Council of Ministers, the Ministry of Energy and the Ministry of Environment, Water and Agriculture, periodically and unpredictably raise the tariff for basic materials that include electricity, water and fuel, which leads to higher operating costs for all companies in general and, in particular, companies operating in the real estate sector. The Company's expenses of electricity, water, and other services reached approximately SAR 23,306,654, SAR 19,749,871, SAR 18,531,059, and SAR 8,280,763 for the 2018G, 2019G, 2020G financial years and the first ending on 30 June 2021G consecutively. The Company may not be able to charge any increase in such expenses to tenants, which may lead to a higher general cost to the Company, in addition to the Company itself incurring additional operating costs, which would adversely affect the Company's business, financial condition, results of operations and future prospects.

2.2.11 Risks related to excessive concentration of risk

Concentration of risks arises when a number of parties engage in similar activities,activities in the same geographical area, whenthey have economic characteristics that may limit their ability to fulfill their contractual obligations due to changes in economic, political or other conditions. The Company and its Group carry out activities in the same sector, which is the real estate sector, and in concentrated geographic areas, particularly Riyadh. This concentration leads to the Company and its Group being more vulnerable and sensitive to any change in the factors affecting this sector and geographic area, which would have an adverse effect on the Group's business, financial position, results of operations and future prospects.

2.2.12 Risks related to competition

The real estate market entails great expansion opportunities and a stimulating environment, which may attract more companies to enter the real estate market. In addition, companies operating in the same sector as the Company and its Group can enter into mergers and acquisitions, which would lead to increasing their market shares and intensifying competition among companies in the real estate market.

The occurrence of any of the above risks may result in the Group entering into competition with other real estate companies that have more resources or other advantages that are difficult or impossible for the Company and its Group to have. Companies with significant financial resources or a customer network may be able to outperform the Company and its Group in advertising expenditures, attracting key employees of the Company and Group by offering greater financial and incentive rewards, and allocating more resources to developing their products and expanding their scope of work.

Due to competition, the Company and its Group may not be able to increase or maintain their profit margins as other companies seek to obtain more business by reducing prices and offering other incentives for customers. Accordingly, intense competition in the key business areas of the Company and its Group will limit their ability to implement their growth strategy, increase their customer segments and expand their operations. The profit margins and asset growth rates of the Company and its Group may decrease, which would have an adverse effect on the Group's business, financial position, results of operations and future prospects.

2.2.13 Risks related to expropriation

The Saudi government and some government entities have the right to expropriate real estate properties for public benefit (for example, but not limited to, building roads and public utilities). In case of expropriation, a real estate property is expropriated after a notification period that is not legally defined, given that it is determined by a special law. While compensation amounts may be paid, there is a risk that the compensation amounts will not cover the investment value, lost profit or the increase in the investment value. The compensation amount may be less than the market value of the property upon acquisition or the purchase price. If any of the Company's real estate properties are expropriated, this will have a material adverse effect on the Company's business, financial position, results of operations and future prospects.

2.2.14 Risks related to real estate development

Due to the nature of Al Akaria's business, which includes building and marketing new real estate projects, Al Akaria is subject to various risks including, but not limited to: (i) the lack of or unavailability of financing of appropriate and favorable terms; (ii) the delay in the timely completion of work; (iii) the excess of the expected pre-determined costs and increase in material, labor or other costs, which would make the completion of the project unprofitable; (iv) the inability to achieve rental returns at the expected levels; (v) the inability to complete or sell any real estate properties on time, which results in higher expenses and construction costs, and; (vi) events of force majeure resulting from factors that fall beyond Al Akaria's control in the construction sector (including bad weather and environmental conditions, lack of building materials in the market and higher labor wages), which impedes the completion of development projects. Upon their occurrence, these factors will have an adverse effect on the Company's business, financial position, results of operations and future prospects.

2.2.15 Risks related to the nature of the liquidation or disposal of real estate assets

Real estate is an asset class that is very difficult to liquidate. Therefore, the Company may not be able to liquidate its real estate assets or sell its projects under construction in a timely manner and at a favorable price. Therefore, if the Company is unable to dispose of its real estate assets in a timely manner, this may significantly affect the desired return on the project or the liquidated asset, which would have an adverse effect on the Group's business, financial position, results of operations and future prospects.

2.2.16 Risks related to the devaluation of real estate assets

The valuation of real estate investments depends on various factors that can be difficult to determine. The market value of real estate properties may decrease due to the weak economic, regulatory and market conditions. The Company cannot give any guarantee that the real estate valuations will accurately reflect the price of any investment to be realized at the actual sale. The real estate asset values may not reach the prices shown upon the valuation. Accordingly, any decrease in the values of real estate assets would have an adverse effect on the Group's business, financial position, results of operations and future prospects.

2.2.17 Risks related to regulatory requirements and regulatory oversight

The Company and its Group are subject to several strict legal requirements that may be changed from time to time and may limit the ability of the Company and its Group to grow or conduct its businesses as expected and planned.

The Company, as a listed company, is also subject to CMA's legal requirements, which are imposed on listed companies, including disclosure and governance requirements and other continuous obligations. Due to the nature of its business, which includes construction, reconstruction, property management, off-plan sale and marketing, and other regulated activities, it is subject to several laws and oversight by several entities, including the Ministry of Municipal, Rural Affairs and Housing, municipalities, and other entities regulating the contracting sector, the off-plan sales sector, property management, etc.

Furthermore, the Company and its Group are subject to the control of the General Audit Bureau since the Company is indirectly owned by the State. The General Audit Bureau is in charge of the financial control and monitors the proper use, exploitation and preservation of funds. The General Auditing Bureau performs periodic control over the Company and its Subsidiaries. The GAB submits to the competent authorities any observation that it deems appropriate so that such authority can take the necessary measures, which constitutes additional control over the Company and its Group.

Given that the Company and its Group are subject to several legal requirements, any violation of such requirements will expose the Company and its Group to procedures and penalties that may be imposed against them by the relevant authorities, including financial fines and other penalties up to, in certain cases, the suspension or withdrawal of license, or the prevention of the Company and its Group from exercising their businesses. Accordingly, a breach of any of such regulatory requirements would have an adverse effect on the Group's business, financial position, results of operations and future prospects. Fines were imposed on the Company in the previous years (for more details on those fines, please refer to Section 9.13 "**Penalties and Fines**").

2.2.18 Risks related to changes in the applicable laws and regulations

The Group is subject to the supervision of several government entities in the Kingdom, including but not limited to: the Ministry of Commerce, the Capital Market Authority, the Saudi Exchange, the Ministry of Municipal, Rural Affairs and Housing, the Royal Commission for Riyadh City, municipalities, the Civil Defense, and other entities. Accordingly, the Group is subject to risks related to changing laws, regulations, circulars and government policies in the Kingdom, including laws and regulations related to taxation, real estate, building and construction, safety, environment, labor, health and safety standards, and other laws. The Kingdom's regulatory and legislative environment is subject to continuous change and development in line with the development of economic and administrative policies and trends, in addition to the best international practices. The compliance with these laws also entails high costs. If there are changes to the existing laws and regulations or new laws, and regulations related to the real estate management and development sector are issued, Al Akaria may have to make changes to its business and status to meet the requirements of these laws and regulations, which will lead to Al Akaria incurring additional unexpected financial expenses, whether temporarily or permanently. In addition, the Company may not succeed in adapting its position and may be in violation of such new laws, which would have an adverse effect on the Group's business, financial position, results of operations and future prospects. The Group shall continuously comply with the laws and regulations governing its business and operations. Accordingly, if Al Akaria fails to comply with these laws, it will be subject to fines or penalties imposed by the relevant authorities, which would have an adverse effect on the Group's business, financial position, results of operations and future prospects.

2.3 Risks related to the Shares

2.3.1 Risks related to potential fluctuations in the price of the Rights

The market price of the Rights may be subject to considerable fluctuations due to the change in the factors affected by Al Akaria's share. Such fluctuation may be significant because of the difference between the daily fluctuation rate allowed for the Rights compared to the daily fluctuation rate allowed for Al Akaria's shares. The Saudi Exchange and brokerage companies update these rates on a daily basis after the market closes. The trading price of the Rights depends on the trading price of Al Akaria's shares and the fair market price of the Rights, which may adversely affect the trading price of the Rights.

2.3.2 Risks related to potential fluctuations in the share price

The market price of the Rights during the Trading Period may not be indicative of the market price of Al Akaria's Shares after the Offering. In addition, Al Akaria's share price may not be stable and could be significantly affected by fluctuations resulting from market conditions in relation to the Rights or Al Akaria's Existing Shares. Such fluctuations may result from many factors including, but not limited to: Stock market conditions, regulatory changes affecting the real estate sector, changes in real estate sector status, the poor performance of the Company, inability to execute future plans of the Company, entry of new competitors into the market, change in the vision or estimates of experts and analysts for the securities market, and announcements by the Company or any of its competitors related to mergers and acquisitions or strategic alliances.

It should be noted that the price of Al Akaria's Share will be changed by Tadawul to SAR 16.18 per share, before the start of trading on the day following the EGM on relating to Capital Increase. The share price change represents a decrease in the share price by SAR 2.46 per share.

The selling of substantial quantities of Shares by the Shareholders, or the perception that such sale may take place, may adversely affect Al Akaria's share price in the market. In addition, Shareholders may be unable to sell their Shares in the market without adversely affecting the share price.

There can be no assurance that the market price of Al Akaria's Shares will not be lower than the Offer Price. If this occurs after investors subscribe to the New Shares, the subscription cannot be canceled or modified. Therefore, the investors may incur losses. Moreover, there can be no assurance that a Shareholder will be able to sell its Shares at a price equal to or higher than the Offer Price after subscribing to the New Shares.

2.3.3 Risks related to forward-looking statements and prospects

Some of the data in this Prospectus are forward-looking statements and prospects that contain known and unknown risks and some uncertainties that affect the Company's results. These data include, but are not limited to, data related to the Company's financial position, business strategy, and future plans and objectives. The future results and performance data of the Company cannot be actually expected and may differ from what is described in this Prospectus. The actual results are dependent on the Company's performance and ability to develop, which cannot be foreseen. The inaccuracy of such prospects and statements is a risk that the Shareholders and investors should take into account. If the Company's future expectations differ from the actual results, this may adversely affect the share price.

Table of Contents

2.3.4 Risks related to the potential issuance of new shares

The Company may increase its capital in the future by issuing new shares (after obtaining regulatory approvals in this regard, including the approval of CMA and the Shareholders' Extraordinary General Assembly) to new investors or some of the existing shareholders, which may affect the ownership of the other shareholders of the Company who do not participate in the capital increase. This would lead to a decrease in their voting power and a decrease in earnings per share due to the increase in the number of shares.

2.3.5 Risks related to lower demand for the Company's Shares and Rights

There is no guarantee that there will be sufficient demand for the Rights during the Trading period in order to enable the holder of such Rights (whether a Registered Shareholder or a new investor) to sell the Rights with a profit or at all. There is also no guarantee that there will be sufficient demand for the Company's Rump Shares by the Institutional Investors during the Rump Offering. If the Institutional Investors do not subscribe to the remaining shares at a price higher than the Offer Price, or at all, there will be insufficient compensation to be distributed to holders of the Rights who did not exercise their right to subscribe or persons who are entitled to Fractional Shares. Moreover, there can be no assurance that there is sufficient market demand for the New Shares once they are traded on the Exchange.

2.3.6 Risks related to the ownership dilution

If the Rights holders do not fully subscribe to the New Shares, their ownership percentage in the Company and accordingly the related voting percentage will decrease. If a Registered Holder of the Rights wishes to sell its Rights during the Trading Period, there can be no assurance that the returns will be sufficient to fully compensate the decline in its shareholding percentage in the Company's capital due to the capital increase. There can be no assurance a compensation amount is distributed to the Eligible Shareholders who did not exercise their right to subscribe or to the owners of Fractional Shares if the Institutional Investors during the Remaining Offering Period do not submit offers for the Rump Shares at a price higher than the Offer Price or that the compensation amount (if any) will be sufficient to offset the decrease in the ownership percentage in the capital.

2.3.7 Risks related to the failure to exercise the Rights in a timely manner

The Subscription Period starts on Monday 29/10/1443H (corresponding to 30/05/2022G) and ends on Thursday 10/11/1443H (corresponding to 09/06/2022G). Rights holders and their financial intermediaries should take the appropriate measures to comply with all required instructions prior to the expiration of the Subscription Period. If Eligible Shareholders and financial intermediaries cannot properly follow the procedures, the Subscription Application may be rejected (please see Section 12 "**Details on Shares and Subscription Terms and Conditions**"). If the Rights holders are not able to exercise their rights properly by the end of the Subscription Period according to the Rights held by them, there can be no assurance that a compensation amount will be distributed to those who did not subscribe to the New Shares.

2.3.8 Risks related to dividend distributions

Future dividends will depend, among other things, on profitability, good financial position, capital requirements, distributable reserves, the Company's credit strength, general economic conditions and other factors. The increase in the Company's capital may reduce the earnings per share in the future as the Company's profits will be distributed to a larger number of shares due to the increase in its capital, which may also affect the market price of the Shares. The Company does not guarantee the distribution of any dividends to the Shareholders, nor does it guarantee the value of the amount (if any) that will be distributed in any given year. The dividend distribution is subject to certain restrictions and conditions stipulated in the Company's Bylaws and the applicable laws and instructions.

2.3.9 Risks related to speculation related to the Rights

Speculation relating to the Rights may cause material losses. The scope of daily allowed fluctuation of the Rights trading price exceeds the scope of daily allowed fluctuation of the Shares (ten percent (10%) upward or downward compared to the closing price of the previous day). There is also a direct correlation between the Company's share price and the Indicative Value of the Right. Accordingly, the daily price limits (i.e. the daily fluctuation range) for the trading of a Right will be affected by the daily price limits for share trading. If a speculator does not sell the Rights before the end of the Trading Period, the speculator will have two options: either to exercise these rights by subscribing to the New Shares before the end of the Subscription Period or refrain from exercising such rights. In either case, the speculator may incur a loss or a decrease in the value of its investment portfolio. Accordingly, investors should review the full details of the mechanism of listing and trading the Rights and New Shares and their functioning method thereof. They should also be aware of all the factors affecting them to ensure that any investment decision will be based on full awareness and understanding (please see Section 12 "**Details on Shares and Subscription Terms and Conditions**" of this Prospectus).

2.3.10 Risks related to the Shareholders’ LACK of awareness of the trading mechanism and exercise of the Rights

While the CMA and the Saudi Exchange publish awareness materials and special workshops to explain to investors the Rights, the method of capital increase through the issuance of the Rights Issue, how to participate and trade, etc., it may be difficult for some Shareholders and investors to understand the mechanism of Rights trading, especially the method of calculating the final price, which may lead to Shareholders missing the opportunity to make an appropriate decision in a timely manner. This may also result in the shareholders being reluctant to invest and trade in the Rights, which would lead to a decrease in their ownership percentage in the Company. This would adversely affect the investment of Shareholders who did not use their Rights to subscribe, especially if no compensation is distributed to them.

3. Background of the Company and Nature of its Business

3.1 History and Incorporation

The Saudi Real Estate Company was incorporated as a Saudi joint stock company by Royal Decree No. M/58 dated 17/07/1396H (corresponding to 15/07/1976G) and the Council of Ministers Resolution No. 1295 dated 16/07/1396H (corresponding to 14/07/1976G) and registered under Commercial Registration No. 1010012539 issued in Riyadh on 17/06/1397H (corresponding to 04/06/1977G). Its head office is located in Riyadh, Olaya Street, Al Akaria Plaza Center - 5th Floor, P.O. Box 3572, Riyadh 11481, Kingdom of Saudi Arabia.

The Company was initially established with a capital of six hundred million (600,000,000) Saudi Riyals by the Public Investment Fund, GOSI, the Pension Fund, Riyad Bank, Bank Al-Jazira, and the National Commercial Bank (which recently changed its name to the Saudi National Bank), who collectively subscribed to fifty percent (50%) of the Company's capital, and the remaining fifty percent (50%) were offered for public subscription pursuant to the resolution of the Council of Ministers by which the Company was established.

The current share capital of the Company is two billion four hundred million (2,400,000,000) Saudi Riyals divided into two hundred forty million (240,000,000) Ordinary Shares with a fully paid nominal value of ten (10) Saudi Riyals per share.

The Company is one of the oldest real estate companies in the Kingdom, given its history and role in developing the real estate sector in the Kingdom in general and Riyadh, the capital, in particular. The Company's main activities include acquiring and developing lands suitable for construction, building, selling and leasing residential and commercial facilities, managing real estate properties for its own account or for the account of third parties, purchasing, producing, selling and leasing construction materials and equipment, carrying out contracting activities for buildings and all necessary work to achieve its purposes.

3.2 Key Developments in the Company's Capital Structure

- On 17/06/1397H (corresponding to 04/06/1977G), the Company was registered under Commercial Registration as a Saudi joint stock company with a capital of six hundred million (600,000,000) Saudi Riyals, divided into six million (6,000,000) shares of equal value with a nominal value of one hundred (100) Saudi Riyals per share. The Company offered fifty percent (50%) of its capital for public subscription pursuant to the resolution of the Council of Ministers by which the Company was established.
- On 29/12/1419H (corresponding to 15/04/1999G), the Extraordinary General Assembly agreed to split each share into two (2) shares, whereby the Company's capital became six hundred million (600,000,000) Saudi Riyals, divided into twelve million (12,000,000) shares of equal value with a nominal value of fifty (50) Saudi Riyals per share.
- On 21/02/1427H (corresponding to 21/03/2006G), a directive was issued by the Capital Market Authority pursuant to a resolution of the Council of Ministers that the nominal value of the shares of joint stock companies shall be ten (10) Saudi Riyals. Accordingly, the Company's shares were split by dividing each share into five (5) shares so that all the Company's shares would have equal value with a nominal value of ten (10) Saudi Riyals per share. As a result, the Company's capital remained six hundred million (600,000,000) Saudi Riyals, and the number of the Company's issued shares became sixty million (60,000,000) Ordinary Shares of equal value amounting to ten (10) Saudi Riyals per share.
- On 24/08/1427H (corresponding to 17/09/2006G), the Company's Extraordinary General Assembly was held and approved to increase the Company's capital from six hundred million (600,000,000) Saudi Riyals to one billion and two hundred million (1,200,000,000) Saudi Riyals through: (i) issuing thirty million (30,000,000) rights issue shares with a nominal value of ten (10) Saudi Riyals per share, and (ii) issuing a capitalization by granting thirty million (30,000,000) bonus shares with a nominal value of ten (10) Saudi Riyals per share.
- On 14/10/1439H (corresponding to 28/06/2018G), the Company's Extraordinary General Assembly was held and approved to increase the Company's capital from one billion two hundred million (1,200,000,000) Saudi Riyals to two billion four hundred million (2,400,000,000) Saudi Riyals through issuing a capitalization by granting one hundred twenty million (120,000,000) bonus shares with a nominal value of ten (10) Saudi Riyals per share.

- On 17/10/1443H (corresponding to 18/05/2022G), the Company's Extraordinary General Assembly was held and approved to increase the Company's capital from two billion four hundred million (2,400,000,000) Saudi Riyals to three billion seven hundred and fifty million (3,750,000,000) Saudi Riyals through issuing one hundred and thirty-five million (135,000,000) shares with a nominal value of ten (10) Saudi Riyals per share.

3.3 Substantial Shareholders

As at the date of this Prospectus, the Company has one Substantial Shareholder (who owns five percent 5% or more of the Company's shares), namely the Public Investment Fund that owns one hundred and fifty-four million nine hundred and eighty-three thousand nine hundred and seventy-eight (154,983,978) shares in the Company, representing 64.57% of the Company's capital. It should be noted that the Public Investment Fund has undertaken to subscribe in all of its portion of the Rights Shares.

3.4 Mission and Strategy

3.4.1 Vision

To become a leading company in real estate development and a major player and investor in the real estate industry at the local and international levels, and for Al Akaria to be a world-class company that develops large, high-end and sustainable urban spaces, contributes to happiness, increases productivity and encourages innovation.

3.4.2 Mission

To strive to achieve its objectives and vision by building capabilities and developing executive arms through establishing specialized companies in partnership with strategic professional partners with successful experiences.

3.4.3 Strategy

The Company's vision and strategy are based on a number of pillars:

Global Scale

The Company's strategy is based on building executive capabilities worldwide through establishing specialized companies in partnership with international partners with successful experiences in the real estate development, construction, maintenance, operation, project management, supervising the implementation and development, marketing, and recruiting the best administrative cadres and manpower to achieve its objectives.

Sustainability and Responsibility

Sustainability and responsibility are important components of the Company's vision. Therefore, the Company focuses on providing and developing real estate products on large landscapes with high quality and long-term modern models which are compatible with the surrounding environment.

Promoting Happiness

The Company believes in promoting happiness and tranquility, through it developing mixed-use urban complexes to provide an appropriate environment for a social life full of fun, vitality and privacy, and offer high quality urban products at competitive prices.

Productivity and Creativity

Based on the belief in modern, functional and productive environment that achieves objectives related to comfortable and ideal accommodation and provides commercial units, including commercial offices and showrooms, the Company strives to enhance satisfaction and stability in a healthy environment. This will provide individuals with an opportunity to use their abilities to positively contribute to their communities through creative and beneficial solutions, encourage research and support technologies and entrepreneurship, which will enable Al Akaria to stay ahead.

3.5 Aspects of Strengths and Competitive Advantages of the Company

Well Established and Historical Name

Al Akaria is one of the oldest real estate companies in the Kingdom and one of the first companies to build commercial and residential complexes in the Middle East. Accordingly, the Company has a good name and reputation and is well known by individuals and companies in the real estate industry.

A Highly Qualified Management Team

The Company is proud of its manpower, including its Board of Directors and executive staff and all other employees of the Company and its Subsidiaries. They gained expertise and high efficiency in the real estate industry due to their work in the Company or other leading companies in this industry inside and outside the Kingdom.

Specialized Subsidiaries

Al Akaria has entered into global and local partnerships with many leading companies in the real estate industry at the local and global levels. The Company owns the largest percentage in such Subsidiaries. The Company established these companies so that each company is specialized in a different sector, which enables them to build their expertise and services in their respective sectors. The Company owns several Subsidiaries, particularly: Binyah, which carries out infrastructure work such as buildings, roads, bridges, etc.; Tamear, which specializes in building construction and maintenance, and; Mumtalakat, which manages, operates and maintains properties. These Subsidiaries provide services to Al Akaria and third parties.

Evolution and Innovation

The Company's accumulated experience combined with its innovation and development approach, which gives the Company a competitive advantage that many real estate developers do not have in the market. The Company is proud of its deep knowledge of society and the market, which enables it to use development and innovation in a way that better serves the market.

3.6 The Company's Activity and Nature of Business

The Company operates under Commercial Registration No. 1010012539 issued in Riyadh on 17/06/1397H (corresponding to 04/06/1977G). The Company's main activities are to engage in the following purposes inside and outside the Kingdom, in accordance with the Company's Bylaws:

1. Owning, leasing, developing, dividing and sorting lands and real estate properties of all kinds, and setting up facilities, buildings, complexes, hotels, hospitals, parks and schools for various uses, including residential, commercial, office, tourism, entertainment, industrial, service and other uses, and selling, leasing or investing them, and exploiting them in all usage methods in accordance with the laws;
2. Developing and managing lands, real estate properties, plans and various projects owned by the Company or third parties, whether in return for a commission, or based on the BOT, partnership in ownership, or management and operation model, or the management service of development programs;
3. Investing in, purchasing, selling, charging, releasing, receiving and enforcing on real estate properties and residential, commercial, industrial and other units, obtaining and paying the price, and performing all related supporting acts;
4. Conducting real estate brokerage in the sale, marketing, leasing and valuation of real estate properties owned by the Company and third parties;
5. Managing, marketing and offering its projects or non-real estate projects for sale inside and outside the Kingdom;
6. Providing all development, marketing and real estate investment activities and services, and evaluating and assessing real estate properties of all kinds;
7. Managing and leasing all types of real estate owned or leased for the Company or third parties;
8. Maintaining, operating, managing, protecting and cleaning buildings, properties and facilities of all kinds, operating, repairing, maintaining and reconstructing machinery and equipment of all kinds;
9. Carrying out all building and construction contracting work, structural, architectural, civil, mechanical, electrical and other work, and implementing supporting and complementary work for finished, unfinished, residential and non-residential buildings, whether for the Company's projects or third-party projects;

10. Carrying out all excavation, ready-mix concrete and plastering work, including finishing buildings, installing ceilings and barriers, pouring bases and foundations, preparing and equipping sites, including excavation, leveling and groundwater drawing work;
11. Carrying out infrastructure work, including the construction and repair of roads, streets, parks, sidewalks, bridges, tunnels, railways, water, sewage and rainstorm network, electricity, communications, gas and refrigeration activities, and laying pipes and wires of all kinds and the related supplies;
12. Supplying, installing, manufacturing, maintaining and repairing lighting, refrigeration, air conditioning, insulation and network systems of all kinds;
13. Carrying out work and installation of decorations, glass, and tower facades of all kinds, and interior and exterior painting activities;
14. Establishing, owning and operating ready-mix and prefabricated concrete factories, and selling and transporting its products to the Company's project sites or third parties;
15. Establishing, owning, operating and managing factories of building materials whatsoever, importing their raw materials and production supplies, marketing their products, and obtaining commercial agencies;
16. Developing, supplying and operating the necessary mechanisms for real estate development work, including fixed and mobile tools, equipment and cranes, and market or rent them to third parties; and
17. Manufacturing and supplying furniture for various office and residential uses;
18. Owning and investing in research outputs, intellectual rights and patents related to the manufacturing of building materials and equipment, developing advanced construction techniques, and transferring and localizing them to the Kingdom;
19. Providing specialized advisory services in the construction industry, real estate, development, marketing and real estate investment sectors;
20. Providing real estate project management services and supervising their implementation;
21. Training in development, marketing, real estate investment, managing and supervising the implementation of real estate projects; and
22. Attracting local and foreign investments to participate in any of the Company's activities.

The Company undertakes its activities on a commercial basis, in accordance with the applicable regulations and after obtaining the necessary licenses from the competent authorities, if any.

The main activities that the Company currently carries out include acquiring and developing lands suitable for construction, building, and selling or leasing residential and commercial facilities. Rental income accounts for the largest portion of the Company's revenue. The Company also carries out, through its Subsidiaries, several other activities, particularly managing and maintaining real estate properties, carrying out building contracting and construction work, and other real estate development and related work.

3.7 Company Name

The name of the Company is the Saudi Real Estate Company (Al Akaria). The Company has not changed its name since its incorporation. In January 2019G, the Company launched the new identity in line with its vision, which aims to develop a good strategy by focusing on providing everything that would serve the community by creating the best solutions that would enable it to overcome obstacles and advance to support the economy's path under wise leadership. However, this change is based on a marketing perspective and has no legal effect. The figure below shows the Company's new identity.

Figure 1: The Company's Identity

3.8 Activities and Projects

3.8.1 Activities

The Company's activities are real estate investment and development through the Company acquiring real estate assets that largely include undeveloped lands in addition to income-generating commercial and residential complexes. The Company's investments also include direct cash investments in the Subsidiaries and non-affiliated companies. It should be noted that its Subsidiaries provide services to the Company either through the managing and operating income-generating commercial and residential complexes or through entering into construction and contracting contracts for the Company's projects.

The main real estate sectors that the Company focuses on:

- The residential sector, with a special focus on middle-income, upper-middle-income, and high-income segments;
- The business sector, with a special focus at the office sectors (community-type offices);
- The retail sector, with a special focus on entertainment and its components;
- The hospitality sector, with a special focus on four- and five-star resorts;
- Mixed-use commercial assets that include many community-inspired assets;
- The acquisition of land and master development plans;
- BOT contracts and PPP contracts for mega projects and major customers (such as ROSHN, State Properties General Authority, Ministry of Municipal, Rural Affairs and Housing, etc.), and;
- New sectors such as data centers, telecommunications towers, etc.

Subsidiaries

The Kingdom has transformed into a pioneering and advanced country in all respects. Vision 2030 programs focuses on the infrastructure sectors (such as airports, public transportation, industrial and logistical sectors, and marine and dry ports) and real estate destinations (NEOM, Red Sea, Qiddiya, Al Ula, King Salman Park, etc.). Therefore, Al Akaria's Subsidiaries will seek to benefit from programs offered within 2030 Vision from various dimensions as follows:

- Binyah seeks to expand its contracting business and benefit from Vision 2030 in relation to infrastructure programs and the private sector.
- Tamear seeks to expand its business by contracting with the Ministry of Municipal, Rural Affairs and Housing to renovate buildings and properties.
- Mumtalakat seeks to expand its facility management business, which includes hard and soft utilities, as well as subcontracting security guard services.

3.8.2 Projects

Al Akaria has existing projects, projects under construction and future projects, which can be summarized as follow:

3.8.2.1 Existing and Completed Projects

Over the past years, Al Akaria has designed, constructed, maintained and operated many residential and commercial buildings, as follows:

1. **Plaza Center:** The Plaza Center is located in Riyadh on Olaya Street between Kingdom Tower and Al Faisaliah Tower. The Center's land area is 19,397 square meters, enabling it to be a head office for the business in Riyadh. The Plaza Center is the first commercial development in the Kingdom fully integrated with SMART technology and is the first Cisco smart building in the Kingdom with an area of 145,547 square meters. The Plaza Center has many advantages that enhance its reputation as one of the most distinguished business centers in Riyadh, including a parking lot that can accommodate 1,400 cars and retail markets with an area of over 13,000 square meters. The Plaza Center is owned and fully managed by Al Akaria;
2. **Al Akaria Center I:** The first and largest commercial compound in the Middle East that was built during the 1970s. The Center was built on an area of 19,000 square meters with a built-up area of about 63,300 square meters. The ground and first floors were used as commercial stores, including 160 stores. The second and third floors were allocated as office floors for institutions and companies. The building basement was used as a parking lot that can accommodate 388 cars. In addition, an adjacent plot of land was designated as a 403-car parking lot. Al Akaria Center I is owned and fully managed by Al Akaria;

3. **Al Akaria Center II:** The project includes a variety of shops and office spaces in the heart of the business center in Riyadh which is located on Olaya Road and Musa Bin Nusair Road. The Center is one of the finest urban projects in the Kingdom due to its offices and shops. The Center was built on a land area of 15,952 square meters, with a total built-up area of about 121,150 square meters. The Center consists of three floors dedicated to shops and exhibitions, and six floors for offices. Ample spaces were also provided as parking lots. The Center includes three floors under the building used as 772-car parking lots. Al Akaria Center II is owned and fully managed by Al Akaria;
4. **Al Akaria Center III:** This project consists of a commercial compound that includes offices and retail stores. Al Akaria Center III is linked to Al Akaria Center I and II by air conditioned bridges, giving customers an ideal shopping experience. The Center was designed by a group of highly qualified and experienced engineers of the Company. The Center was built on an area of 13,711 square meters and the total built-up area is 115,437 square meters. The Center consists of three main parts that include parking lots, shops and offices. In the middle of the Center, there is a huge main hall with shops and offices. The ground, first and second floors were allocated for shops. The third to eighth floors were designed to overlook the eastern and western sides of Riyadh. The rest of the offices overlook luxurious interior spaces. There were 654 parking lots, in addition to supporting services such as the mosque that can accommodate over 900 worshippers. Additionally, the center contains a rotating resturant on the 8th floor in the main lobby supported by panoramic elevators, and Al Akaria Center III is owned and fully managed by Al Akaria;
5. **Al Akaria Center in Al Malaz:** The Center includes four unique towers, each containing eight floors. In the middle of these towers, there is a spacious lobby with a glass roof. The Center was built on a land area of 9,307 square meters, with a built-up area of about 62,830 square meters. The ground floor was designated for trade fairs and restaurants. The two-level basement was designated as a 334-car parking lot. Al Akaria Center in Al Malaz is owned and fully managed by Al Akaria;
6. **Al Akaria Residential Compound in Al Olaya:** The first closed residential compound in the Kingdom, providing all services and amenities for guests, such as parking lots, swimming pools, playgrounds, lawns, children's toys, fiber optic technology for high-speed internet, in addition to immediate maintenance service. The apartment areas range from 134 to 202 square meters distributed among several closed compounds. The compound also provides round-the-clock services that include security, maintenance and cleaning. Al Akaria Residential Compound is owned and fully managed by Al Akaria;
7. **Al Akaria Residences in the Diplomatic Quarter:** The Diplomatic District is home to foreign embassies, consulates, international organizations, apartment compounds and shopping malls and is the ideal place because of its design, fine architecture and high operating standards. Al Akaria Residences Project was divided into three phases, all of which were completed, the last of which was a project to to construct 21 resedintial apartments, the project consists of residential units, which include luxury villas, spacious apartments, and double villas, to achieve the highest levels of beauty through an architectural design inspired by the Arab and Andalusian Islamic civilization. The total land area for all three phases is 287,959 square meters. This investment is represented in the establishment of such units on lands leased from the RCRC under two contracts for 99 years and 50 years. The Company manages the project and leases the housing units;
8. **La Casa Residential Project, in Al Narjis District:** It is a closed residential compound and entertainment center project owned by Al Akaria on an area of 25,570 square meters. The project consists of 162 furnished housing units, including 31 townhouses and 131 apartments with various sizes. It also includes a sports center, green areas, indoor and outdoor pools, and infrastructure including roads, sidewalks, light poles, telephone and water network, in addition to a sewage treatment plant. Its construction work was performed by Tamear, and Mumtalakat was contracted to conduct maintenance and facility management tasks for two years. The project was completed in May 2019G and the Company is currently leasing the units to customers; and
9. **Al Dahiya Compound:** Al Dahiya Compound is a semi-closed residential and commercial project owned by Al Akaria on an area of 430,757 square meters. It contains 569 housing units and a garden of 20,000 square meters, and is equipped with all infrastructure services. The project offers an integrated lifestyle in Riyadh, including residential units and commercial and office compounds to serve the residents of the district and their families. It also includes gardens, green spaces, recreational facilities, schools, and mosques. The project of Al Dahiya Compound is located in the Al-Rimal District and has full infrastructure services such as water, sewage, electricity, telephone, streets and pedestrian paths, lighting, and a rainwater drainage network. The project was completed at the end of September 2021G. The Company has sold all residential units and delivered them to customers.

3.8.2.2 Projects under construction

The blueprint for Alakria Park: The park in located on a land owned by the Company in Riyadh in Al Qadsiah District, North of Dammam Road with a land are of 1,913,399 square meters. The Company bought the project land in January 2022G, as a raw land with the land divisions blueprint authorized by Number 3963 dated 16/05/1443H, the Company entered into an infrastructure design and implementation agreement with Mohammad Al-Ojaimi Contracting Group in February 2022G, the Company aims to develop the infrastructure of the project and starts selling the residential blocks through Wafi platform for off-plan sales.

Additionally, and as part of the comprehensive development program for the Company's buildings and compounds located along Olaya Street in Riyadh, which aims to improve the level of rental and operational performance, the Company carried out several development and rehabilitation projects for several centers and compounds. The Company completed some of these projects, such as Gate 9 of the residential compound in Olaya. Some other projects are still uncompleted, such as Gate 7 of the residential compound in Olaya. In addition, the Company performs other projects such as the rehabilitation and development of six villas in the Diplomatic Quarter.

3.8.2.3 New Projects

The Company is studying several potential projects and plans to implement the following:

1. **L'Avenir Compound, Al-Aqeeq in Riyadh**: The project is located in a vital location in Al-Aqeeq District along the Northern Ring Road in Riyadh, west of King Abdullah Financial District (KAFD), on a land area of 25,500 square meters. The project which is the development of the hotel tower with a view on the Northern Ring Road that is centered on an open commercial compound that offers commercial services, restaurants, cinema and entertainment services, in addition the design idea of the project was completed and approved by the Company's Board of Directors. The relevant government regulators are currently approached for the necessary approvals on the proposed design and building permits before the Company proceeds with the preparation of detailed designs and project development;
2. **The Gateway in Jeddah**: The project land is located in Al-Nahda District on the King Abdulaziz Road in Jeddah on an area of 49,800 square meters opposite to the Red Sea Commercial Compound. A feasibility study was prepared to determine the best and optimal use of the project's land. It included the concept of a commercial project that contains multiple uses, including an entertainment compound, shops and restaurants, in addition to a hotel and hotel apartments. The initial designs for the project as a leading project and the designs have been submitted on the Jeddah Municipality through design consultant for the detailed designs of the project. The Company is currently working on obtaining the initial license to enable the Company to start the preparation work on the location while the final licenses containing the executive approvals and fees gets approved.
3. **Riyadh Hills**: The project land is located on land owned by the Company in Riyadh in Al-Malqa District. The Company's management started the engineering design work based on the feasibility study. The study concluded that the best development idea for the project land is a commercial compound that provides various commercial spaces for restaurants, cafes and retail services. The land area is 21,561 square meters. The development team is currently finalizing the design idea for the proposed project to obtain the necessary approvals to start construction work.
4. **Al Yamama Compound in the Diplomatic Quarter**: The project is located on land owned by the RCRC within the Diplomatic Quarter in Riyadh, next to Al Yamama Park, on a total area of 39,000 square meters. The Company applied to the RCRC to rent the project land and develop it as a residential and commercial project. The Company is currently working with the RCRC to design the project concept, which will contain various residential units of villas and apartments for annual rent, in addition to a commercial area that includes shops and restaurants for rent. the Company presented the final project concept to the RCRC for approval in order to conclude the final contract for leasing the land and developing the project.
5. **Business Park in Al Narjis**: The project land is located on land owned by the Company in Riyadh along Al-Takhassusi Road with a total area of 40,000 square meters. The Company's management started the engineering design work based on the feasibility study. The study concluded that the best development concept for the project's land is a commercial complex that provides various office spaces, which will be serviced by other components such as commercial spaces designated for restaurants in addition to spaces in order to provide a destination for multi-service and multi-use business centers.
6. **Land Development and Division Projects**: The Company intends to purchase and develop raw land in Riyadh due to the nature of the increasing demand for developed plots of land with full infrastructure services. The Company conducted a comprehensive study of various raw land sites in Riyadh. The results of all studies confirm the profitability of raw lands development projects due to the lack of supply in the local markets (particularly in Riyadh) and the steady increase in the developed plots of land with full infrastructure services. The land to be purchased for development was not specified. Most of the raw lands included in the study were located in the north and northeast of Riyadh.

3.9 Company Branches

The Company does not have any branches.

3.10 Subsidiaries

In accordance with the Company's Bylaws, the Company may establish its own limited liability or closed joint stock companies, such that the capital is not less than five million (5,000,000) Saudi Riyals. The Company may also have an interest, or participate in some way with the bodies or companies that carry out business similar to its business or assist it in achieving its purpose. It may own shares and stocks in other existing companies or merge with them. It also has the right to participate with others in the establishment of joint-stock or limited liability companies after satisfying the requirements of regulations and instructions in this regard. The Company may also dispose of such shares or stocks, provided that there shall be no brokerage in trading shares. As of the date of this Prospectus, the Company has a number of Subsidiaries as follows:

3.10.1 Al Widyan Saudi Real Estate Company (Al Widyan):

Al Widyan Saudi Real Estate Company is a closed Saudi joint stock company, established by virtue of the Minister of Commerce Resolution No. Q/256 dated 28/10/1439H (corresponding to 12/07/2018G), and registered under Commercial Registration No. 1010455071 dated 16/11/1439H (corresponding to 29/07/2018G). Al Akaria owns one hundred percent (100%) of Al Widyan's fully paid capital, which amounts to one hundred million (100,000,000) Saudi Riyals. The Company's main activities include the general construction of residential and non-residential buildings including (schools, hospitals, hotels, etc.), restorations of residential and non-residential buildings, other electrical installations, management and leasing of owned or leased (residential and non-residential) properties, management of the hotel apartment operation.

Capital Restructuring

- Al Widyan was established and registered under the Commercial Registration on 16/11/1439H (corresponding to 29/07/2018G) with a capital of one billion (1,000,000,000) Saudi Riyals, divided into one hundred million (100,000,000) shares, all of which are ordinary cash shares. Al Akaria subscribed to all the shares of the company and paid twenty-five percent (25%) of its capital upon incorporation.
- On 25/03/1440H corresponding to (03/12/2018G), the Ministry of Commerce approved the amendment of the capital of Al Widyan to two billion eight hundred fifty-three million (2,853,000,000) Saudi Riyals, divided into two hundred eighty-five million three hundred thousand (285,300,000) shares with an equal nominal value of ten (10) Saudi Riyals per share, all of which are ordinary cash shares. They include a fully paid cash share in the amount of two hundred and fifty million (250,000,000) Saudi Riyals, and an in-kind share representing the land of Al Widyan Project in the amount of two billion six hundred and three million (2,603,000,000) Saudi Riyals.
- On 29/03/1442H (corresponding to 29/11/2020G), the Extraordinary General Assembly agreed to reduce the capital to one hundred million (100,000,000) Saudi Riyals, divided into ten million (10,000,000) fully paid nominal cash shares with an equal value.

Business Disruption

Al Widyan was established by Al Akaria mainly to develop and manage Al Widyan Project. Al Widyan has not started its operating activities as at the date of this Prospectus. The Royal Commission for Riyadh City (RCRC) requested the Company to suspend development work on Al Widyan land, until the competent authorities completed the planning work and other related procedures. The matter has not been resolved to date as it is still uncertain (for more details about the risks associated with this, please see Section 2.1.25 "**Risks related to the interruption of work on the Al Widyan Project**").

ACCUMULATED LOSSES

The accumulated losses of Al Widyan exceeded fifty percent (50%) of its capital in October 2020G. (For more details about the related risks, please see Section 2.1.23 "**Risks related to Al Widyan and Tamear's accumulated losses exceeding half of the capital**").

Table of Contents

3.10.2 Saudi Real Estate Construction Company (Tamear):

Saudi Real Estate Construction Company (Tamear) is a closed Saudi joint stock company established by Ministerial Resolution No. Q/42 dated 28/02/1438H (corresponding to 28/11/2016G). Al Akaria owns 100% of its fully paid capital amounting to one hundred million (100,000,000) Saudi Riyals. The Company's main activities include the building construction and maintenance, construction project management, detailed engineering designs, material procurement, and the implementation of projects it manages.

Increase of Al Akaria's Ownership

It should be noted that Tamear was originally established as a mixed closed joint stock company. Al Akaria owns sixty percent (60%) of Tamear's capital while Turkey's Kaya Homes for Construction, Contracting, Tourism, Trade and Industry (Kaya Homes) owns forty percent (40%). On 15/07/1442H (corresponding to 28/02/2021G), Al Akaria signed a share sale agreement with Kaya Homes. Pursuant to the Share Sale Agreement, Kaya Homes shall assign all of its shares representing forty percent (40%) of Tamear's capital, with its rights and obligations, to Al Akaria in return for four million three hundred thousand (4,300,000) Saudi Riyals. The transaction was fully completed and the ownership of the shares was transferred to Al Akaria. This acquisition is made as part of the Company's strategic plan to restructure and focus on the Company's main activities in line with market developments and current challenges.

KEY PROJECTS

The key projects of Tamear are as follows:

1. **Al Akaria Residences in the Diplomatic Quarter**: The project consists of establishing 21 buildings as apartments and residential units, including luxury villas, spacious apartments, and double villas, to achieve the highest levels of beauty through an architectural design inspired by the Arab and Andalusian Islamic civilization. The total land area for all three phases is 287,959 square meters. Tamear carried out the construction works of the project, including buildings, villas, roads, and utilities;
2. **La Casa Residential Project, in Al Narjis District**: A closed residential compound and entertainment center project owned by Al Akaria on an area of 25,570 square meters. The project consists of 162 furnished housing units, including 31 townhouses and 131 apartments with various sizes. It also includes a sports center, green areas and infrastructure including roads, sidewalks, light poles, telephone and water network, in addition to a sewage treatment plant. Tamear carried out the construction work of the project, including buildings, villas, roads, and utilities;
3. **Al Dahiya Compound**: A semi-closed residential and commercial project owned by Al Akaria on an area of 430,757 square meters. It contains 569 housing units, a garden of 20,000 square meters, parks and green spaces, recreational facilities, schools, and mosques. Tamear carried out the construction work of the project, including buildings, villas, roads, and utilities;
4. **Durrat Al Madinah Project**: Durrat Al Madinah Project is a project of the Ministry of Housing to support citizens with an area of 7,021 square meters. Tamear established 34 residential buildings in the Azm project. The project was completed at the end of May 2021G; and
5. **Gate 9 Residential Compound in Olaya**: A closed residential project owned by Al Akaria, which consists of 8 residential buildings and contains 128 apartments with different sizes. Tamear's scope of work includes the renovation of the entire project site, including all the internal and external work related to the buildings, the entertainment compound center and other facilities.

The key projects under construction are as follows:

1. **Al Mashreqiya Project**: Al Mashreqiya is a project of the Ministry of Housing to support citizens as part of the Self-Building Program. Tamear signed a 1,000-villa construction agreement, whereby work has begun in the first phase, including 401 villas. Tamear's scope of work includes all work related to villas, including construction, maintenance and final finishes; and
2. **Gate 7 of Olaya Residential Compound**: A closed residential project owned by Al Akaria, consisting of 8 residential buildings and containing 126 apartments of different sizes. Tamear's scope of work includes the renovation of the entire project site, including all the internal and external work related to the buildings, the entertainment compound center and other facilities.

ACCUMULATED LOSSES

The accumulated losses of Tamear exceeded fifty percent (50%) of its capital at the end of 2020G. (For more details about the related risks, please see Section 2.1.23 "**Risks related to Al Widyan and Tamear's accumulated losses exceeding half of the capital**").

3.10.3 Saudi Real Estate Infrastructure Company (Binyah):

The Saudi Real Estate Infrastructure Company (Binyah) is a Saudi closed joint stock company established by Ministerial Resolution No. Q/182 dated 14/06/1438H (corresponding to 13/03/2017G), with a fully paid capital of fifty million (50,000,000) Saudi Riyals, and registered under Commercial Registration No. 1010469561 dated 06/07/1438H (corresponding to 03/04/2017G). Al Akaria owns sixty percent (60%) of Binyah's capital while the remaining forty percent (40%) is owned by Mohammed Ali Al Swailem for Trading and Contracting Company. The Company's main activities include work related to roads, streets and bridges, the construction, extension, cleaning, maintenance and operation of water, sewage and rainstorm network, the construction and extension of distribution electric power,gas network and stations.

Key Projects

The key projects under construction are as follows:

1. **Phase I Excavation Project - Triple Bay for AMAALA**: This includes the initial public site work that precede the development of the resorts, which extend over an area of 6 million square meters, the initial work of the site, cleaning and clearance, excavation and backfilling, construction and paving of temporary roads, and all necessary work to prepare the site for the general development work in the site;
2. **Coastal and Internal Road Project with Valley Protection for the Red Sea Development Company**: This project includes the construction of a road network with a total length of 77 km, the renovation of the airport road, the construction of an access road to the area, the construction of a link and intersection with the Highway H5, and the construction of a dam to protect the valley;
3. **Wadi C District Project and Survey Center for Misk City Company**: The design and implementation of sites and gardens for Wadi C and "Survey" for the project. The project includes the design and implementation of green spaces, bicycle and pedestrian paths, as well as playgrounds for children's games and landscaping with a total area of 150,000 square meters;
4. **Misk City Project**: The design and implementation of a bridge and tunnel for the entrance to Misk City and its facilities, in addition to earthworks related to the project. The project includes the design and implementation of a bridge and a tunnel for the entrance to Misk City, with a length of 3.1 km, and the relevant facilities, in addition to the earthworks related to the project.
5. **City Infrastructure Design and Implementation Project**: This includes the design and implementation of water, drainage, rainwater and irrigation networks, as well as a water supply and treatment plant, in addition to roads, street lighting and related earthworks;
6. **Golf Course Project for Diriyah Gate Development Authority**: The implementation of the preparatory work for the golf course in Wadi Saffar. The project includes site preparation and ground work including excavation, backfilling and land leveling.
7. **Wadi Hanifa Infrastructure Work Project for Diriyah Gate Development Authority**: It includes the implementation of road works, water and sewage networks, rainstorm drainage, irrigation, street lighting and related works; and
8. **Preliminary work Project for Exit 15 in Riyadh for Saudi Entertainment Ventures Company**: It includes the excavation, earth removal and leveling, in addition to site fencing works on Al-Nahda Road and Salah Al Din Al Ayyubi Road, as well as the work of strengthening and supporting the excavation sides and other work, as well as the installation of four towers with a height of 30 meters.

3.10.4 Saudi-Korean Company for Maintenance and Properties Management (Mumtalakat):

The Saudi-Korean Company for Maintenance and Properties Management (Mumtalakat) is a mixed limited liability company established on 11/02/1439H (corresponding to 31/10/2017G), and registered under Commercial Registration No. 1010612687 dated 11/02/1439H (corresponding to 31/10/2017G) with a capital of twenty million (20,000,000) Saudi Riyals. It operates under the Ministry of Investment's License No. 10214381076997 dated 9/10/1438H (corresponding to 21/08/2017G). Al Akaria owns sixty percent (60%) of its capital, while POSCO E&C Saudi Arabia owns twenty-one percent (21%) and the Korean Bosmet Ltd. owns nineteen percent (19%). The Company's main activities include the operation and maintenance of buildings, specialized cleaning of buildings, external cleaning of buildings and other activities.

Key Projects

The key projects of Mumtalakat can be summarized in the provision of integrated and comprehensive solutions and services in the maintenance, cleaning and hospitality. It provides such services for a number of important projects, namely, providing maintenance, cleaning and hospitality services to Al Rajhi Banking Investment Company in its two headquarters: Al Rajhi Tower and Operations Center, and for Roshan Real Estate at its two headquarters including the head office and operations office, as well as the main office of Al-Rajhi Company for Cooperative Insurance (Al-Rajhi Takaful). It also provides cleaning and hospitality services to the head office of the Entrustment and Liquidation Center (Infath), and the head office of the Boutique Hospitality Group. In addition, it provides maintenance, cleaning and hospitality services for the projects of the Saudi Real Estate Company, in addition to providing administrative and support services to Al Akaria.

3.10.5 Saudi Real Estate Company for Brokerage and Marketing

The Saudi Real Estate Company for Brokerage and Marketing is a limited liability company wholly owned by Al Akaria, established on 14/03/1440H (corresponding to 22/11/2018G) and registered under Commercial Registration No. 1010479019 dated 14/03/1440H (corresponding to 22/11/2018G) with an unpaid capital of fifteen million (15,000,000) Saudi Riyals. This Company was originally established with the aim of acquiring land for development and sale, leasing and managing properties, valuing real estate properties and performing other real estate activities.

Al Akaria decided not to proceed with this investment strategy. Accordingly, this company did not start its business and Al Akaria intends to strike it from the Commercial Registration. This company does not own any material assets and is not a party to any material contracts.

3.10.6 Al Widyan General Services Company

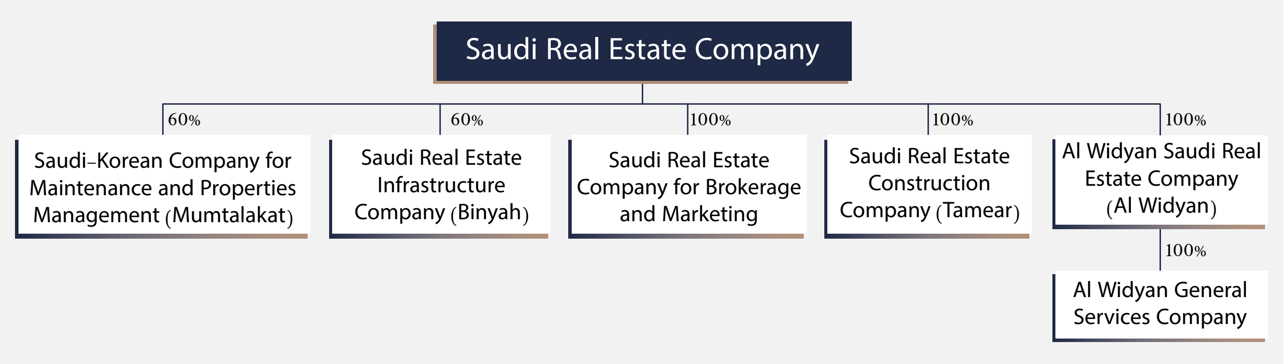
Al Widyan General Services Company is a limited liability company wholly owned by Al Widyan established on 09/06/1440H (corresponding to 15/02/2019G) and registered under Commercial Registration No. 1010568595 dated 09/06/1440H (corresponding to 25/02/2019G) with an unpaid capital of five million (5,000,000) Saudi Riyals. This company was originally established with the aim of providing public services for the Al Widyan Project, including water, energy, communications, transportation, and other services.

The company has not started its business due to the suspension of the Al-Widyan Project. Accordingly, Al Akaria intends to remove it from the Commercial Registration. This company does not own any material assets and is not a party to any material contracts.

3.10.7 Other Subsidiaries

It should be noted that Al Akaria had a seventh Subsidiary, the Al Akaria Hanmi (Edarah) for Project Management, which is a mixed limited liability company established in October of 2017G with a capital of four million (4,000,000) Saudi Riyals. Al Akaria owns sixty percent (60%) of its capital, while Hanmi Global Co., Ltd. owns the remaining forty percent (40%). Its main activities include the provision of the construction project management and related consultancy services. On 09/08/1442H (corresponding to 22/03/2021G), Al Akaria signed a sale agreement, whereby Al Akaria sold the entirety of its sixty percent (60%) stock to the Hanmi Global Co. Saudi Arabia for one million two hundred thousand (1,200,000) Saudi Riyals. The closing of the transaction depends on the approvals of government entities. The Company concluded the regulatory steps to amend the Al Akaria Hanmi (Edarah) Articles of Association with the Ministry of Commerce to reflect Al Akaria's disposal of its shares on 06/06/1443H (corresponding to 09/01/2022G). This sale is made as part of the Company's strategic plan to restructure and focus on the Company's main activities in line with market developments and current challenges.

The following figure shows the Company and its Subsidiaries:



For more details about the material contracts concluded by the Subsidiaries, please see Section 9.9.6 "**Material Contracts and Transactions of the Subsidiaries**".

3.11 Other Investees

The Company invests in the capital of several companies and investment funds, inside the Kingdom, which are described in the following table:

Table No. (4): The Company's Investments in Companies and Investment Funds

The Company	Activity	Place of Incorporation	Legal Entity	Shareholding (%)
Riyadh Holding Company	Buying, selling and owning real estate for the Company, buying and selling lands to construct buildings and investing in them by sale or rent in favor of the Company, managing, maintaining and developing real estate properties, establishing, managing and operating commercial, residential and service compounds, and installing and maintaining fire protection systems.	Kingdom of Saudi Arabia	Closed joint stock company	16.7%
Knowledge Economic City Developers Company*	Buying, selling and owning real estate for the Company, buying and selling lands to construct buildings and investing in them by sale or rent in favor of the Company, managing, maintaining and developing real estate properties, establishing, managing and operating commercial and residential compounds, health and sports centers, and general building contracting.	Kingdom of Saudi Arabia	Limited Liability Company	9.5%
Umm Al Qura Development & Construction	Performing construction and development works, maintenance, survey and demolition work, property management, investment, and rent activities.	Kingdom of Saudi Arabia	Closed joint stock company	0.8%
Dar Al Tamleek	Residential finance.	Kingdom of Saudi Arabia	Closed joint stock company	9.2%
Kinan Real Estate Development Company Ltd.	Developing and managing residential units and commercial centers in several cities in the Kingdom of Saudi Arabia.	Kingdom of Saudi Arabia	Closed joint stock company	2.1%
United Glass Company	Carrying out glass manufacturing work.	Kingdom of Saudi Arabia	Closed joint stock company	4.4%
Real Estate Finance Company	A company under incorporation (a capital payment of SAR 800,000 was paid).	Kingdom of Saudi Arabia	Closed joint stock company	3.0%
Taiba Investment Company	Acquiring real estate properties, architectural and electrical contracting, and carrying out maintenance and operation works and agricultural, industrial and mining activities.	Kingdom of Saudi Arabia	Listed joint stock company	0.0%
Jadwa Healthcare Opportunities Fund 2	Making direct real estate investments within the health sector in the GCC countries.	Kingdom of Saudi Arabia	Investment fund	6.0%
Jadwa Healthcare Opportunities Fund 3	Making direct real estate investment within the health sector in the Kingdom of Saudi Arabia.	Kingdom of Saudi Arabia	Investment fund	1.3%

Source: The Company

* The Company currently seeks to convert its shares in the Knowledge City Developers Company (a limited liability company) to direct shares in the Knowledge Economic City Company, a company listed on Tadawul, after the statutory lock-up period related to the trading of the Founders' shares expires.

3.12 Business Disruption

Except as described in Section 2.1.25 "**Risks related to the interruption of work on the Al Widyan Project**" of this Prospectus and as disclosed in Section 2.1.24 "**Risks related to business interruption**," there was no interruption in the business of the Company or any of its Subsidiaries that may have, or has had, a significant effect on the financial position during the 12-month period preceding the date of this Prospectus.

3.13 Employees and Saudization

As of 31 March 2022G, the Company has 147 employees, of whom 113 are Saudi employees and 34 are non-Saudi employees. According to the Nitaqat certificate issued by the MHRSD, the Company is located within the platinum range with a Saudization rate of 75.65%. As of 31 March 2022G, the following table shows the number of employees of the Company and its Subsidiaries as at 31 December 2018G, 31 December 2019G, 31 December 2020G and 31 December 2021G:

Table No. (5): Number of employees of the Company and its Subsidiaries:

The Company	31 December 2018G	31 December 2019G	31 December 2020G	31 December 2021G
Saudi Real Estate Company	89	124	126	131
Mumtalakat	346	667	627	393
Binyah	55	62	170	229
Tamear	135	154	133	158
Al Widyan	20	17	17	0
Total	**645**	**1024**	**1073**	**911**

Source: The Company

The following table shows the details of the Subsidiaries according to the Nitaqat Program as at the end of 31 March 2022G.

Table No. (6): Saudization of Employees of the Company and its Subsidiaries

The Company	Entity Size	Scope	Saudization Rate
The Company	Medium (Class B)	Platinum	75.65%
Al Widyan*	N/A	N/A	N/A
Tamear	Medium (Class B)	High Green	21.39%
Binyah	Medium (Class C)	Platinum	33.72%
Mumtalakat	Medium (Class C)	Low Green	18.83%

Source: The Company

* There is no information for Al Widyan as the Company has currently no employees due to the suspension of its business.

3.14 Employee Share Schemes and Arrangement Involving Employees in the Capital

As at the date of this Prospectus, the Company does not have any employee share schemes or any other arrangement involving the employees in the capital of the Company.

4. Organizational Structure of the Company

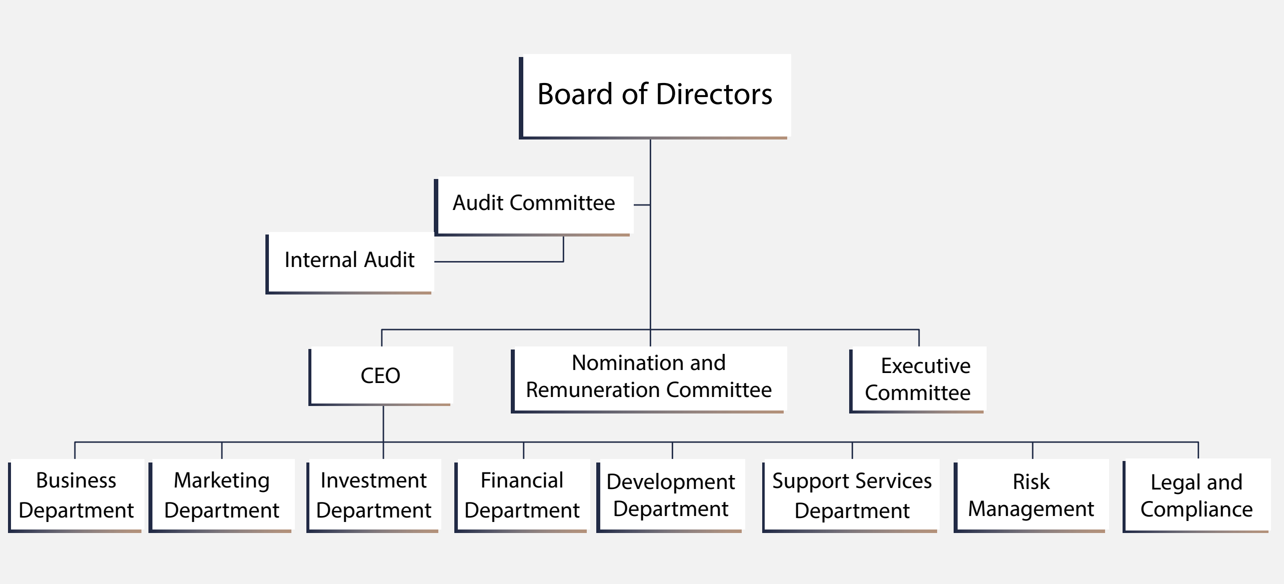
4.1 Management Structure

The Company has an organizational structure that defines the division of departments and the allocation of powers and work among its departments. The Company's management structure consists of the Board of Directors, a number of committees and the Executive Management team. The Board of Directors is chaired by the administrative structure with the support of three (3) committees, namely: the Executive Committee, the Audit Committee, and the Nomination and Remuneration Committee. These committees assist the Board of Directors in managing and monitoring the Company's business, each as per its competence (for more details about the Board's Committees, please see Section 4.3 "**Board Committees**").

The Board of Directors has delegated the responsibility of implementing the strategic plans and managing the Company's day-to-day business to the Executive Management that is headed by the CEO of the Company. The CEO oversees the development of the necessary policies and procedures to ensure the efficient and effective management of the Company and the internal control system and minimize risks.

Subject to the authorities granted to the general assemblies, the Board of Directors shall have the broadest powers and authorities to manage the Company and its affairs and carry out all actions and matters that would achieve the Company's objectives. The Board is primarily responsible for approving the Company's main objectives and strategic plans, supervising their implementation, and monitoring the performance and progress of the Company through regular meetings held during the year. The Board of Directors regularly reviews the efficiency of the applicable systems and the procedures of internal control, and monitors the Company's key sectors to ensure the application of its established general policies, determine the risk levels, and ensure their proper management.

Figure 2: Organizational Structure



4.2 Board of Directors

The Company is managed by an experienced and highly qualified Board of Directors, consisting of nine members as follows: four (4) Independent Directors, four (4) Non-executive Directors and one (1) Executive Director. In its meeting held on 23/06/1443H (corresponding 31/01/2022G) for a period of three (3) years and shall continue until 01/10/1446H (corresponding 31/01/2025G).

The following table shows the details of the Directors and their ownership in the Company.

Table No. (7): Directors

Name	Position	Nationality	Age	Capacity	Representation	Number of shares held		Shareholding (%)		Appointment Date
						Direct	*Indirect	Direct	*Indirect	
Mr. Naif bin Saleh Al Hamdan	Chairman	Saudi	39	Non-Executive / Non-Independent	PIF	N/A	N/A	N/A	N/A	31/01/2022G
Mr.Faisal Dhahir Al Enaze	Director	Saudi	36	Non-Executive/ Non-Independent	PIF	N/A	N/A	N/A	N/A	31/01/2022G
Mr. Fahad Abdulrahman Al Mojel	Vice President	Saudi	54	Non-Executive/ Non-Independent	PIF	N/A	N/A	N/A	N/A	31/01/2022G
Mr. Ibrahim bin Mohammed Al Alwan**	Director	Saudi	48	Executive/ Non-Independent	PIF	N/A	N/A	N/A	N/A	31/01/2022G
Mr. Faisal Farkad Al Khani	Director	Saudi	38	Non-Executive/ Non-Independent	PIF	N/A	N/A	N/A	N/A	31/01/2022G
Mr. Fahad Ibrahim Al Hammad	Director	Saudi	55	Non-Executive/ Independent	N/A	N/A	N/A	N/A	N/A	31/01/2022G
Mr.Mohammed Musfir Al Malki	Director	Saudi	48	Non-Executive/ Independent	N/A	N/A	N/A	N/A	N/A	31/01/2022G
Mr.Mohammed Abdullah Al Smari	Director	Saudi	44	Non-Executive/ Independent	N/A	N/A	N/A	N/A	N/A	31/01/2022G
Mr. Hisham Hussain Al Khaldi	Director	Saudi	44	Non-Executive/ Independent	N/A	N/A	N/A	N/A	N/A	31/01/2022G

Source: The Company

* The shares owned by the Directors indirectly in the Company through their ownership in companies that own shares in the Company, or the shares owned by the relatives of the Directors directly or through their ownership in companies owning shares in the Company.

** Mr. Ibrahim Al Alwan is the Managing Director and CEO.

Table No. (8): Number of Board Meetings

Administrative Body	2018G	2019G	2020G	2021G
Board of Directors	4	5	5	4

Source: The Company

4.3 Board Committees

As required under the Companies Law and the Corporate Governance Regulations, and for the purpose of improving the Company's performance and monitoring its work, the following committees were established: The Executive Committee, the Audit Committee, and the Nomination and Remuneration Committee. All Committees shall act in accordance with clear and approved charters specifying each committee's tasks and responsibilities. The following is a summary of the structure and responsibilities of such committees.

4.3.1 Executive Committee

Pursuant to Article 50 of the Corporate Governance Regulations, the Board of Directors shall form specialized committees in accordance with certain controls. The Board of Directors formed an Executive Committee in 2019G.

The Company's Executive Committee consists of three (3) to five (5) members appointed by the Board of Directors, and meets at least four (4) times a year. The main role of the Executive Committee is to assist the Board of Directors in performing its responsibilities towards the Shareholders and other relevant parties in matters related to supervising the performance of the Executive Management, reviewing and monitoring the business of the Company and its Subsidiaries on a regular basis, and making the necessary recommendations to the Board when needed. The Committee may, upon the Board's request or at its discretion, require the Executive Management or any third party it deems appropriate to carry out the necessary studies and recommendations regarding strategic aspects, objectives and investments inside or outside the Kingdom. The Committee shall, without limitation:

a. Review the Company's activities and business, the related internal policies and regulations, and the schedule of powers and submit recommendations, views and comments to the Board of Directors;

b. Review the activities and works of the Subsidiaries with regard to following up on their performance and regulating the relationship between them and the Company in general, in a manner that does not conflict with the performance of the tasks of the Boards of Directors of such companies;

c. Review the relevant lists of powers, responsibilities, contracts of all kinds, obligations, and payments to the Company and its Subsidiaries, and submit the same to the Board for review and approval;

d. Oversee the preparation of the Company's estimated budget, review the proposals submitted by the Executive Management, and submit recommendations to the Board for approval of the annual budget;

e. Follow up and consider the current position of the Company's cash and cash equivalents and evaluate options for raising capital or borrowing to finance its activities and projects;

f. Evaluate and consider the contractual relationship (terms and conditions) and the method of awarding projects between the Company and its Subsidiaries for the purpose of resetting it and developing a strict mechanism to monitor and follow up on the activities and work entrusted to the Subsidiaries;

g. Contract with audit offices specialized in reviewing and auditing to verify and consider all previous and subsequent activities and works, identify all breaches or violations, if any, and submit findings and recommendations to the Board of Directors;

h. Participate and supervise the development of the Company's strategy and evaluate the proposals submitted by the Executive Management concerned with the Company's vision and mission, strategic axes, objectives, strategic and financial initiatives, and submit recommendations and views to the Board for approval, while ensuring the implementation of the Company's general strategy and its effectiveness in achieving the desired objectives;

i. Ensure that there is an appropriate time mechanism that enables the Committee to review the work and reports with the Executive Management for the purpose of evaluation and follow-up as it deems appropriate, and serve its need for reports, whether on a monthly or semi-annual basis or when each meeting is held; and

j. Perform any other duties assigned by the Board to the Executive Committee.

The Executive Committee consists of the following members as at the date of this Prospectus:

Table No. (9): Members of the Executive Committee

Name	Position	Appointment Date
Mr.Faisal Dhahir Al Enaze	Chairman	01/02/2022G
Mr. Fahad Ibrahim Al Hammad	Member	01/02/2022G
Mr. Faisal Farkad Al Khani	Member	01/02/2022G
Mr.Fahad bin Abdulrahman Al Mojil	Member	01/02/2022G

Source: The Company

Table No. (10): The Number of the Executive Committee's meetings

Administrative Body	2018G	2019G	2020G	2021G
Executive Committee	N/A*	18	15	16

Source: The Company

* The Company did not have an executive committee in 2018G. The Board of Directors formed the Executive Committee in 2019G.

4.3.2 Audit Committee

Pursuant to Article 101 of the Companies Law, an audit committee shall be formed by a resolution of the Ordinary General Assembly, provided that the number of its members shall have at least three (3) and up to five (5) members. The Audit Committee consists of three (3) to five (5) members who are fully experienced in accounting standards and business laws, which enables them to fulfill their duties smoothly. The Audit Committee shall meet at least four times in the financial year. The Committee shall, without limitation:

a. Supervise the Company's internal audit to verify the completeness and adequacy of the internal audit by reviewing the effectiveness, completeness and adequacy of the Internal Audit's arrangements;

b. Consider internal audit reports and follow up on the implementation of actions and the notes contained therein;

c. Consider the Company's internal audit, finance systems and risk management;

d. Consider and review the preliminary and annual financial statements and recommend the approval of their publication;

e. Investigate the credibility of the Company's financial statements and control the Company's financial reporting and disclosure process;

f. Ensure the integrity of the internal accounting system and the financial control systems applied in the Company;

g. Follow-up and control the significant risks to which the Company is exposed and the steps taken to reduce such risks;

h. Provide recommendations to the Board to nominate the auditor, dismiss it, determine its remunerations, and assess its performance after verifying its independence and reviewing the scope of its work and the terms of its contracts;

i. Verify the Company's compliance with the applicable laws, regulations, policies and instructions, in addition to reviewing the effectiveness of the system to monitor compliance with the applicable laws and regulations, investigation results, and follow up on any events of non-compliance;

j. Review contracts and transactions to be concluded by the Company with the Related Parties and express its views thereon to the Board of Directors, and

k. Report to the Board any issues in connection with what it deems necessary to take action on, and provide recommendations as to the steps that should be taken.

As at the date of this Prospectus, the Audit Committee consists of the following members:

Table No. (11): Members of the Audit Committee

Name	Position	Appointment Date
Mr. Abdullah Al Smari	Chairman	13/03/2022G
Mr. Mohammad Omar Al Obaidi	Member	13/03/2022G
Mr. Abdulaziz Mohammad Al Babtain	Member	13/03/2022G
Mr. Faisal Farkad Al Khani	Member	13/03/2022G

Source: The Company

Table No. (12): The Number of the Audit Committee's meetings

Administrative Body	2018G	2019G	2020G	2021G
Audit Committee	6	22	7	26

Source: The Company

4.3.3 Nomination and Remuneration Committee

In accordance with Article 60.a and Article 64.a of the Corporate Governance Regulations, the Remuneration Committee and the Nomination Committee shall be formed by a resolution of the Board of Directors. Pursuant to Article 52.7 of the Corporate Governance Regulations, the Company may merge the Remuneration Committee and Nomination Committee into one committee, provided that the requirements of the two committees are met. Pursuant to Article 50.4 of the Corporate Governance Regulations, the Committee shall have at least three (3) and up to five (5) members. The Company's Nomination and Remuneration Committee consists of three (3) to five (5) members. The Committee shall, without limitation:

a. Develop clear policies for the remuneration of the Directors and its committees and the Executive Management and submit them to the Board of Directors for consideration in preparation for the approval of the General Assembly;

b. Periodically review the remuneration policy and assess its effectiveness in achieving its objectives;

c. Propose clear policies and criteria for the membership of the Board of Directors and recommend the nomination or re-nomination of its members in accordance with the approved policies and criteria;

d. Preparing a description of the capabilities and qualifications required for membership of the Board and Executive Management positions.

e. Determine the strengths and weaknesses of the Board and recommend remedy solutions that serve the Company's interests;

f. Review and evaluate the structure of the Board of Directors and the performance of the Board and its committees, as well as the Executive Management, and make recommendations regarding changes;

g. Annually verify the independence of the independent members and ensure that there is no conflict of interest between the Company and the Directors;

h. Approve employee training plans and manpower plans; and

i. Approve the appointment and removal of the services of the (first level) Executive Management personnel.

As of the date of this Prospectus, the Nomination and Remuneration Committee consists of the following members:

Table No. (13): Members of the Nomination and Remuneration Committee

Name	Position	Appointment Date
Mr. Hisham Hussain Al Khaldi	Chairman	01/02/2022G
Mr.Faisal Dhahir Al Enaze	Member	01/02/2022G
Mr.Mohammed Musfir Al Malki	Member	01/02/2022G

Source: The Company

Table No. (14): The Number of Nomination and Remuneration Committee's meetings

Administrative Body	2018G	2019G	2020G	2021G
Nomination and Remuneration Committee	4	10	5	11

Source: The Company

4.4 Executive Management

The Company is managed by a highly experienced team with the necessary knowledge and skills to manage the Company's business. The following table shows the details of the members of the Executive Management and their ownership in the Company as of the date of this Prospectus.

Table No. (15): Details of the Members of the Executive Management

Name	Position	Nationality	Age	Number of shares held		Shareholding (%)		Year of Appointment
				Direct	*Indirect	Direct	*Indirect	
Mr. Ibrahim bin Mohammed Al Alwan	Managing Director and CEO	Saudi	48	N/A	N/A	N/A	N/A	2019G
Mr. Fahad bin Ayed Al-Shamri	CFO	Saudi	45	N/A	N/A	N/A	N/A	2021G
Mr. Mohammed Sari Antbawi	Chief Investment Officer	Jordanian	40	N/A	N/A	N/A	N/A	2019G
Vacant**	Chief Commercial Officer	-	-	-	-	-	-	-
Mr. Moaz Al Makhdoub	Chief Development Officer	Saudi	47	N/A	N/A	N/A	N/A	2020G
Mr. Mohammed Al-Ghazwani	Chief Operations Officer	Saudi	43	N/A	N/A	N/A	N/A	2020G

Source: The Company

* The shares indirectly owned by the executives in the Company through their ownership in companies that own in the Company, or the shares owned by their relatives directly or through their ownership in companies owning shares in the Company.[1]

**Mr.Khalid Al Dubaie resign from Chief Commercial Officer on 12/12/2021G, and the Company is the process of hiring a Chief Commercial Officer.

4.5 Remunerations and allowances of the Directors and members of the Executive Management

The following table shows the remunerations and allowances of the Directors and the Executive Management, including salaries, bonuses and allowances, for the previous three (3) financial years:

Table No. (16): Remuneration of the Directors and Executive Management (SAR)

	2019G	2020G	2021G
Directors	3,315,333	6,451,333	2,249,000
Members of the Executive Management	8,759,489	9,243,076	11,506,662

Source: The Company

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[1] Note: the year 2021G will be included after obtaining the approval of RNC on the remunerations for the year 2021G.

4.6 Employees

As of 31 March 2022G, the Company has 147 employees, of whom 113 are Saudi employees and 34 are non-Saudi employees. According to the Nitaqat certificate issued by the MHRSD, the Company is located within the platinum range with a Saudization rate of 75.65% as at the end of 31 March 2022G.

The following table shows the number of employees of the Company and its Subsidiaries as at 31 December 2018G, 31 December 2019G, 31 December 2020G and 31 December 2021G:

Table No. (17): Number of the employees of the Company and its Subsidiaries

The Company	31 December 2018G	31 December 2019G	31 December 2020G	31 December 2021G
Saudi Real Estate Company	89	124	126	131
Mumtalakat	346	667	627	393
Binyah	55	62	170	229
Tamear	135	154	133	158
Al Widyan	20	17	17	0
Total	645	1024	1073	911

Source: The Company

4.7 Employee Share Schemes and Arrangement Involving Employees in the Capital

As of the date of this Prospectus, the Company does not have any employee share schemes or any other arrangement involving the employees in the capital of the Company.

5. Management's Discussion and Analysis of Financial Condition and Results of Operations

5.1 Introduction

This section represents Management's Discussion and Analysis ("**MD&A**") of the financial results of Saudi Real Estate Company (the "Company") and its subsidiaries (together referred to as "the Group") for the years ended 31 December 2018G, 2019G and 2020G, in addition to the interim period for the six-month period ended 30 June 2020G and 2021G based on the consolidated audited financial statements for the years ended 31 December 2018G ("2018G"), 2019G ("2019G") and 2020G ("2020G") and the reviewed consolidated interim financial statements for the six-month period ended 30 June 2021G, and the accompanying notes, together being the "Financial Statements"; and should be read in conjunction with the financial statements referred to above.

The Group applied the International Financial Reporting Standards with its interpretations in accordance with the International Accounting Standards Board (IFRS) adopted in the Kingdom of Saudi Arabia, in addition to other standards approved by the Saudi Organization for Auditors and Accountants (SOCPA), referred to as the "International Financial Reporting Standards approved in the Kingdom of the Saudi Arabia" for the years ended 31 December 2018G, 2019G and 2020G and the six-month period ended 30 June 2020G and 2021G.

The financial information presented in this discussion is derived from the financial statements prepared by the Group and audited in accordance with international audit standards approved in the Kingdom of Saudi Arabia for the financial years ended 31 December 2018G, 2019G and 2020G and examined in accordance with International Standard for Review Engagements 2410 "Examination of Preliminary Financial Information Performed by Independent Auditors" adopted in the Kingdom of Saudi Arabia for the six-month period ended 30 June 2021G, by the independent auditors Ernst & Young & Co. (Chartered Accountants) ("Ernst & Young" or "Chartered Accountants", or "Auditors").

Neither Ernst & Young nor any of its subsidiaries have any stake or interest of any kind in the Group, and written consent has been given regarding the disclosure of their name, logo, and their findings in this prospectus, being the auditors of the Group for the aforementioned periods.

It is worth noting that this section may include statements on future periods based on management plans and current expectations regarding profits and growth, results of operations and financial conditions. Accordingly, it contains uncertain risks and expectations that may lead to material changes from the actual results of the Group due to multiple factors and events, including the factors discussed in this section of the prospectus or elsewhere as mentioned in Section 2 ("**Risk Factors**").

All financial information in this section has been presented in Saudi Riyals unless otherwise stated. The amounts and percentages have been rounded to the nearest decimal number, and accordingly, if the numbers mentioned in the tables are summed, their sum may not correspond to the totals mentioned in those tables or to the Group's financial statements.

5.2 Directors' Declaration for Financial Information

The Board of Directors declare the following:

1. The financial information presented in this Section is extracted without material adjustment from the consolidated audited financial statements for the financial years ended 31 December 2018G, 2019G and 2020G and the accompanying notes, and the reviewed interim condensed consolidated financial statements for the six months ended 30 June 2021G and 2020G and the accompanying notes, which were prepared by the Group in accordance with International Financial Reporting Standards approved in the Kingdom of Saudi Arabia.
2. The Board of Directors declares that the Group has working capital sufficient for a period of at least 12 months from the date of this Prospectus.
3. The Board of Directors declares that there have been no reservation in the auditor's report of the financial statements for any of the three financial years directly preceding the date of this Prospectus.
4. The Board of Directors declares that there have been no material changes in the accounting policies adopted during the three financial years directly preceding the date of this Prospectus.

Table of Contents

5. The Group incurred losses over the past three years, and with the exception of what was disclosed in this Section 2 ("**Risk Factors**") of this Prospectus regarding accumulated losses, there have been no material negative change in the financial and commercial position of the Group during the three financial years directly preceding the date of the application for a right of issue subject to this Prospectus, in addition to the end of period covered in the Auditors report until the date of issuing this Prospectus. The Board of Directors declares that all material facts related to the Group and its financial performance have been disclosed in this Prospectus, and that there are no other information, documents, or facts, the omission of which would make any statement herein misleading.
6. The Board of Directors declares that there are no seasonal factors or economic cycles related to the activity of the Group that may have an impact on the business and the financial situation of the Group.
7. The Board of Directors declares that there is no intention to make any material changes in the Group's activities.
8. The Board of Directors declares that the Group's operations have not ceased in a way that could have an evident impact or has actually affected the Group's financial position over the past twelve months.
9. The Board of Directors declares that the Group has provided comprehensive details in the Sections (5.7.1.10 and 5.7.1.11) of all fixed assets and investments, including contractual securities and other assets with volatile value or difficult to estimate (excluding financing portfolios to cover bank financing)
10. The Board of Directors declares that no commissions, discounts, brokerage fees or non-cash compensation have been granted by the Group to any of the members of the Board of Directors, senior executives, or those offering or offering securities or experts during the three financial years directly preceding the date of the request for a rights issue.
11. The Board of Directors confirm that the capital of the company and its subsidiaries is not covered by any option right.
12. The Board of Directors declares that the Group has provided comprehensive details in this section (5.7.1.13 and 5.7.1.14) of all loans or indebtedness, guarantees, commitments under acceptance, acceptance credits and rental purchase commitments (5.7.2).
13. The Board of Directors declare that - to the best of their knowledge - the properties of the Group are not subject to any mortgages, rights, or encumbrances as at the date of this Prospectus, except for what has been disclosed in this section (9.10.3) "**Mortgages**".
14. The Board of Directors declares that the Group does not have any potential obligations, guarantees, or any significant fixed assets outside the normal course of business to be purchased or leased, except as described in this Section of this Prospectus.
15. The Board of Directors declares that there are no debt instruments issued or approved and not yet issued.
16. The Board of Directors declares that the Group's capital is not under option.
17. The Board of Directors acknowledge that the Group and its subsidiaries have not made any capital adjustments within the three years immediately preceding the date of this Prospectus was submitted, with the exception of Al Widyan Company, which reduced its capital in October 2020G before the date of this Prospectus.
18. The Board of Directors declares that the Group has no information about any governmental, macro-economic, financial, monetary, or political policies or any other factors that have affected or could materially affect (directly or indirectly) the operations of the Group except as disclosed in Section 2 "**Risk Factors**" of this Prospectus.

5.3 Group overview

Saudi Real Estate Company (the "Company" or the "Parent Company") is a Saudi Joint Stock Company, whose shares are publicly traded on the Saudi Exchange. The Company was established pursuant to Royal Decree number M/58 dated 17 Rajab 1396H (corresponding to 15 July 1976G), registered in Riyadh, Kingdom of Saudi Arabia under commercial registration No. 1010012539 dated 17 Jumada al-Alkhirah 1397H (corresponding to 4 June 1977G). 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.

Table No. (18): Percentage of the Company's ownership in subsidiaries

Name	Country of incorporation	Principal activities	Year of incorporation	Ownership percentage (directly or indirectly)
Saudi Real Estate Construction Company (SRECC) (1)	Kingdom of Saudi Arabia	Constructions and maintenance	2016G	100%
Saudi Real Estate Infrastructure Company (SREIC) (2)	Kingdom of Saudi Arabia	Constructions and maintenance	2017G	60%
Saudi Korean Company for Maintenance and Properties Management (SAKOM) (3)	Kingdom of Saudi Arabia	Maintenance and operation	2017G	60%
Alakaria Hanmi for Project Management (Hanmi) (4)	Kingdom of Saudi Arabia	Provide programs and projects management and lenders' technical advisory services	2017G	60%
Al Widyan Saudi Real State Company (WSREC) (5)	Kingdom of Saudi Arabia	Developing Al Widyan project	2018G	100%
Alinma Alakaria Real Estate Fund (6)	Kingdom of Saudi Arabia	Development of real estate	2019G	100%

Source: Audited financial statements for the financial year ended 31 December 2020G

1. 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 2016G). 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 2016G).
2. 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 2017G). The Company is engaged in road, bridge, and tunnel works, earthworks, and construction, extension, cleaning, maintenance and operation of water, sewerage, and drainage networks. Also, construction, extension, and maintenance of distribution networks and stations for electrical power and gas, and telecommunication networks and communication towers, construction and maintenance of public parks and irrigation systems, and dam construction and maintenance and sale of prefabricated concrete.
3. 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 2017G). 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 2017G).
4. 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 2017G). 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 1438 H (corresponding to 23 July 2017G).
5. 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 2018G). 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 centres and government and private clinics.
6. Alinma Alakaria Real Estate Fund is private fund created by an agreement between Alinma 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 principal 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 2019G) 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 2019G), during the fiscal year 2020G the Group signed an agreement to close and liquidate the Real Estate Development Fund, and the management is working to finish all the legal procedures for liquidating the fund and transferring all assets to the Group.

5.4 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards, interpretations issued by the International Accounting Standards Board approved in the Kingdom of Saudi Arabia, and other standards and issuances approved by the Saudi Organization for Chartered and Professional Accountants (together referred to as "International Financial Reporting Standards approved in the Kingdom of Saudi Arabia").

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 2020G.

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.

5.4.1 Basis of consolidation

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

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

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

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

1. The contractual arrangement(s) with the other vote holders of the investee;
2. Rights arising from other contractual arrangements; and
3. 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 one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

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

5.4.2 Summary of significant accounting policies

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

Investment in an associate

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

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

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

The consolidated statement of income reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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

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

Current versus non-current classification of assets and liabilities

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

Fair value measurement

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

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

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

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

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

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

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

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

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

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

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

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties.

The specific recognition criteria described below must also be met before revenue is recognised.

Rental income

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

Tenant lease incentives are recognised as a reduction of rental revenue on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the management are reasonably certain that the tenant will exercise that option.

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

Contract's revenue

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

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

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

Contract balances

Value of work executed in excess of billings (accrued infrastructure revenue)

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

Service charges, management charges and other expenses recoverable from tenants

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

Dividends

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

Interest income

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

General and administrative expenses

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

Selling and marketing expenses

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

Zakat and tax

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

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

Investment properties

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

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

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

1.	Buildings	50 years
2.	Furniture and decorations	5 - 30 years

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

Property and equipment

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

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

1.	Buildings	14 years
2.	Machinery and equipment	5 years
3.	Furniture and decorations	5 years
4.	Computers	5 years
5.	Vehicles	4 years

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

Non-current assets held for sale and discontinued operations

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

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

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

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

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

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

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

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

The Board of directors considered the subsidiary, Alakaria Hanmi for Project Management to meet the criteria to be classified as held for sale at that date for the following reasons:

1. Alakaria Hanmi for Project Management is available for immediate sale and can be sold to the buyer in its current condition;
2. The actions to complete the sale were initiated and expected to be completed within one year from the date of initial classification;
3. A potential buyer has been identified and negotiations as at the reporting date are at an advance stage; and
4. The Board of directors approved the plan to sell on 2 September 2020G.

Foreign currency

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

Transactions and balances

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

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

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

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

Leases

IFRS 16 – Leases

The Group has applied IFRS 16 with effect from its mandatory application date of 1 January 2019G using the modified simplified transition method allowed in accordance with the transitional provisions specified in the standard. Accordingly, the comparative data have not been adjusted. The Group assess whether a contract contains a lease, at inception of the contract. For all such lease arrangements the Group recognize right of use assets and lease liabilities except for the short-term leases and leases of low value assets as follows:

Right-of-use assets

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

Lease liabilities

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

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

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of commercial buildings, accommodations, and offices (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of commercial buildings, accommodations and offices that are considered of low value (i.e., below SAR20 thousand). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Impact on adoption of IFRS 16 "Leases"

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

In the current period, the Group has adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019G.

The Group elected to use the practical expedient available on transition to IFRS 16 not to reassess whether a contract contains a lease or not, allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The Group also adopted the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

1. Applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
2. Applied the exemption not to recognize right-of-use assets and liabilities for leases that are expiring during 2019G; and
3. Excluded initial direct cost from measuring the right-of-use asset at the date of initial application.

The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase opinion ('short-term leases'), and lease contracts for which the underlying asset is a ('low-value asset').

Prior to adoption of IFRS 16:

The Group has lease contracts for lands. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease based on the substance of the arrangement at the inception date. A lease was classified as a finance lease that transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and a reduction in the lease liabilities so as to achieve a constant rate of interest on the remaining balance of the liabilities. In an operating lease, the leased property was not capitalised, and the lease payments were recognised as operating expense in the consolidated statement of profit or loss on a straight-line basis over the lease term. Any prepaid and accrued amounts were recognised under prepayments and other payables, respectively.

After adoption of IFRS 16:

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases that it is the lessee, except for short-term leases and leases of low-value assets. The Group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. In accordance with the modified retrospective method of adoption, the Group applied IFRS 16 at the date of initial application. Under modified retrospective approach right-of use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018G. Accordingly, the comparative information is not restated.

The change in accounting policy affected the following items in the consolidated statement of financial position on.

	1 January 2019G
Assets	
Right-of-use assets	75,908
Liabilities	
Lease liabilities	75,908
Total effect on equity	-

Financial costs

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

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in consolidated statement of income in the period in which the expenditure is incurred.

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

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

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

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

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

Financial instruments

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

1. Financial assets

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

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

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

Initial measurement

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

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

Subsequent measurement

Debt instruments

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

- Amortised cost

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

- FVOCI

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

- FVPL

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

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

Equity instruments

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

De-recognition

A financial asset or a part of a financial asset is de-recognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either:
    1. The Group has transferred substantially all the risks and rewards of the asset; or
    2. The Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Impairment

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

Stage 1: 12-months ECL

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

Stage 2: Lifetime ECL - not credit impaired

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognized.

Stage 3: Lifetime ECL - credit impaired

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

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

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

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

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

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

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

2. Financial liabilities

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

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

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

Trade and other payables

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

Financial guarantee contracts

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

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

De-recognition

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

Offsetting of financial instruments

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

Cash and cash equivalents

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

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash at banks and on hand, cash in funds and short-term deposits, as defined above.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

Tenant's deposits

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

Employees' defined benefits obligations

The liability recognized in the consolidated statement of financial position in respect of the employees' defined benefits obligations, is the present value of the employees' defined benefits obligations at the end of the reporting period. The employees' defined benefits obligations are calculated annually by independent actuaries using the projected unit credit method.

Since the Kingdom of Saudi Arabia has no deep market in high-quality corporate bonds, the market rates of high-quality corporate bonds of the United States of America are used to present value the employees' end of service termination benefits obligation by discounting the estimated future cash outflows.

The net finance cost is calculated by applying the discount rate to the net balance of the employees' defined benefits obligations. This cost is included in employee benefit expense in the consolidated statement of income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in the consolidated statement of comprehensive income. They are included in retained earnings in the consolidated statement of changes in equity and in the consolidated statement of financial position.

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

5.4.3 New and amended standards and interpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020G. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to International Financial Reporting Standards ("IFRS") No.3: Definition of a Business

In October 2018G, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations, to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IAS (1) and IAS (8): Definition of Material

In October 2018G, the IASB issued amendments to IAS (1) - Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating, or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments to the definition of material are not expected to have a significant impact on the Group's consolidated financial statements.

Conceptual Framework for Financial Reporting issued on 29 March 2018G

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IFRS (16): Covid-19 Related Rent Concessions

On 28 May 2020G, the IASB issued Covid-19- Related Rent Concessions - amendment to IFRS 16 "Leases". The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16 if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020G. Earlier application is permitted. This amendment had no impact on the consolidated financial statements of the Group.

Standards issued but not yet effective

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

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020G, the IASB issued amendments to paragraphs 69 to 76 of IAS (1) to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period

- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

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

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020G, the IASB issued Amendments to IFRS 3 "Business Combinations" - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989G, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018G without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential "day 2" gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS (37) or IFRIC (21) Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022G and apply prospectively.

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

In May 2020G, the IASB issued "Property, Plant and Equipment — Proceeds before Intended Use", which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022G and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020G, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022G. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

IFRS 9 Financial Instruments – Fees in the "10%" test for derecognition of financial liabilities

As part of its 2018G-2020G annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022G with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

New standards, interpretations and amendments adopted by the Group

Several amendments became effective for the first time in 2021G, but they do not have any impact on the Group's interim consolidated financial statements.

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:

1. 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;
2. Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued; and
3. 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.

5.4.4 Use of estimated and judgements

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

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

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

Use of estimates and assumption

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

Contract costs to complete estimates

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

Allowance for expected credit losses

For accounts receivables, the Group applies the simplified approach. To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics and the days past due. Expected loss rates were derived from historical information of the Group and are adjusted to reflect the expected future outcome which also incorporates forward looking information for macroeconomic factors such as inflation and gross domestic product growth rate.

Useful lives of investment properties and equipment

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

Employees' end-of-service benefits

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

Zakat

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

5.4.5 Segment information

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

1. Residential sector
2. Commercial sector
3. Service sector
4. Head office

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

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

Below is a breakdown of the segment information:

Table No. (19): Analysis of segment information for the financial year ended 31 December 2020G

31 December 2020G	Residential	Commercial	Service	Head Office	Total
Revenue	130,814	332,451	36,590	-	499,855
Cost of Revenue	(68,946)	(275,996)	(13,775)	-	(358,717)
Gross profit	**61,868**	**56,455**	**22,815**	**-**	**141,138**
General and administrative expenses	-	-	-	(171,530)	(171,530)
Selling and marketing expenses	-	-	-	(52,631)	(52,631)
Financial charges	-	-	-	(17,294)	(17,294)
Decline in value of investment properties	-	-	-	(82,698)	(82,698)
Impairment provision for prepayments and other receivables	-	-	-	(38,370)	(38,370)
Impairment of property and equipment	-	-	-	(5,755)	(5,755)
Gain on revaluation of investments designated at FVPL	-	-	-	9,646	9,646
Share of profit of an associate	-	-	-	16,042	16,042
Dividends income	-	-	-	6,019	6,019
Other income	-	-	-	66,305	66,305
Segment profit (loss) before zakat	61,868	56,455	22,815	(270,266)	(129,128)
Total assets	**1,688,584**	**2,676,153**	**46,987**	**3,126,814**	**7,538,538**
Total liabilities	**229,418**	**186,852**	**29,243**	**4,253,757**	**4,699,270**

Source: Audited financial statements for the financial year ended 31 December 2020G

5.5 Summary of financial information and key performance indicators

The financial statements of the Group listed below have been extracted from the audited annual consolidated financial statements for the financial years ended 31 December 2018G, 2019G and 2020G and from the interim reviewed condensed consolidated financial statements for the six-month period ended 30 June 2021G and 30 June 2020G. The selected financial information and the Group's KPIs below should be read in conjunction with the information presented "**Risk Factors**" section, the "**Management's Discussion and Analysis of Financial Condition and Results of Operations**" section and the audited consolidated financial statements for the financial years ended 31 December 2018G, 2019G and 2020G and the reviewed consolidated financial statements for the six-month period ended 30 June 2021G and 30 June 2020G, prepared in accordance with the International Financial Reporting Standards (IFRS) approved in the Kingdom of Saudi Arabia and the standards and other issuances issued by the Saudi Organization for Auditors and Accountants, which were included in the section ("**Financial statements and the auditor's report**") and other financial statements contained in any other part of this prospectus.

Table No. (20): Summary of financial information and key performance indicators for the Group for the financial years ended 31 December 2018G, 2019G and 2020G, and the six-month period ended 30 June 2020G and 2021G

SAR in 000s	2018G (Audited	2019G Audited	2020G Audited	Six-month period ending 30 June 2020G Reviewed	Six-month period ending 30 June 2021G Reviewed
Revenue	296,569	338,021	499,855	193,917	345,509
Cost of Revenue	(111,369)	(166,387)	(358,717)	(108,741)	(234,309)
Gross profit	185,200	171,634	141,138	85,176	111,200
General and administrative expenses	(122,017)	(211,138)	(171,530)	(66,549)	(72,924)
Selling and marketing expenses	(24,147)	(45,146)	(52,631)	(13,940)	(26,439)
Gain/loss from operations	39,036	(84,650)	(83,023)	4,687	11,837
Financial charges	(49,193)	(44,825)	(17,294)	(8,333)	(27,742)
Decline in value of investment properties	-	(34,377)	(82,698)	-	-
Impairment provision for prepayments and other receivables	(20,000)	(10,865)	(38,370)	(5,000)	(800)
Impairment of property and equipment	-	-	(5,755)	-	-
Write-off of capital work-in-progress	-	(63,135)	-	-	-
Gain on revaluation of investments designated at FVPL	(893)	12,171	9,646	-	-
Share of profit of an associate	19,743	17,446	16,042	7,703	7,243
Dividend's income	2,802	9,148	6,019	-	-
Other income	1,506	4,628	66,305	6,251	14,948
Gain on disposal of investments designated at FVPL	22,980	23,019	-	-	-
Impairment loss on Sukuk	(206,338)	-	-	-	-
Gain on revaluation of derivatives financial instruments	13,156	-	-	-	-
Income from short-term deposits and Sukuk	953	-	-	-	-
Loss before Zakat	(176,248)	(171,440)	(129,128)	5,308	5,486
Zakat	(21,028)	(12,687)	(25,304)	(9,667)	(6,229)
Net loss/gain from ongoing operations	(197,276)	(184,127)	(154,432)	(4,359)	(743)
Loss after Zakat from discontinued operations	-	(13,919)	(4,661)	(4,284)	-
Net loss for the year	(197,276)	(198,046)	(159,093)	(8,643)	(743)
Statement of financial position					
Total current assets	601,547	386,435	779,108	-	586,844
Total non-current assets	6,739,888	6,812,619	6,753,585	-	6,898,779
Assets held for sale	-	-	5,845	-	-

SAR in 000s	2018G (Audited	2019G Audited	2020G Audited	Six-month period ending 30 June 2020G Reviewed	Six-month period ending 30 June 2021G Reviewed
Total assets	7,341,435	7,199,054	7,538,538	-	7,485,623
Total current liabilities	2,827,767	3,488,891	2,772,185	-	2,848,933
Total non-current liabilities	1,342,809	743,874	1,914,745	-	1,726,770
Liabilities related to assets held for sale	-	-	12,340	-	-
Total Liabilities	4,170,576	4,232,765	4,699,270	-	4,575,703
Total Equity	3,170,859	2,966,289	2,839,268	-	2,909,920
Total equity and liabilities	7,341,435	7,199,054	7,538,538	-	7,485,623
Cash flow statement summary					
Net cash flows (used in) from operating activities	20,464	(115,739)	(133,075)	(12,776)	(95,439)
Net cash flows (used in) from investing activities	(499,402)	28,478	102,363	(62,316)	(68,744)
Net cash flows (used in) from financing activities	602,196	(59,983)	370,987	56,423	(191,724)
(Decrease) increase in cash and cash equivalents	123,258	(147,244)	340,275	(18,669)	(355,907)
Cash and cash equivalents at the beginning of the period relating to discontinued operations	-	-	-	-	1,436
Cash and cash equivalents at the beginning of the year	208,466	331,724	184,480	184,480	523,319
Cash and cash equivalents at the end of the year	331,724	184,480	524,755	165,811	168,848
Key Performance Indicators					
Gross profit margin for the year/period	62.4%	50.8%	28.2%	43.9%	32.2%
Net loss margin for the year/period	(66.5%)	(58.6%)	(31.8%)	(4.5%)	(0.2%)
Return on assets	(2.7%)	(2.8%)	(2.1%)	-	(0.0%)
Return on equity	(6.2%)	(6.7%)	(5.6%)	-	(0.0%)

Source: Audited financial statements for the financial years ended 31 December 2018G, 2019G and 2020G, and the reviewed financial statements for the six-month period ended 30 June 2020G and 2021G

5.6 The main factors affecting the Group's performance and operations

5.6.1 Market overview of the real estate sector

The Group's performance is highly dependent on the risks associated with investments in the real estate sector in the Kingdom of Saudi Arabia, including negative impacts stemming from macro-economic factors, at a regional or global level, local market conditions, the financial position of real estate tenants, buyers and sellers, excessive supply in commercial properties, lack of demand and competition, and changes in the relative demand for residential and commercial properties, along with their locations, events and situations, and other factors beyond our control. Any of the aforementioned factors, or several factors if they occur together, may lead to tangible risks that have a negative impact on the Group's revenue.

5.6.2 Average useful life of the Group's properties

Many of the Group's properties, including commercial properties and residential units, are aged for more than 25 years, which requires development plans and capital expenditures to maintain the sustainability of these properties and ensure that they generate the required revenue.

5.6.3 Factors associated with the real estate development

The Group operates in the real estate development, which exposes it to the general risks associated with construction and development of projects. Any of the below factors can have a negative impact on the projects, including:

1. Unavailability of financing with favourable terms;
2. Costs exceeding budget due to an increase in material, labour or other costs, which makes completion of the project inefficient;
3. Delays in completion of projects;
4. Lack or unavailability of manpower at reasonable costs; and
5. The inability to complete the construction of any real estate property or sell it on time, which results in an increase in debts and associated construction costs.

5.6.4 Changes in the real estate sector, tax, and zakat regulations.

The Group's activities are subject to the real estate, tax and zakat regulations in the Kingdom of Saudi Arabia, and therefore any changes in the laws or their interpretations might have a direct impact on the Group, especially with regard to transfer of ownership, tax and zakat, may have a significant negative impact on the Group's financial performance. The Group is keen to maintain good relationships with the relevant authorities, in order to be aware of the latest development in this field.

5.7 Results of operations for the financial years ended 31 December 2018G, 2019G and 2020G and the six-month period ended 30 June 2020G and 2021G

5.7.1 Statement of profit and loss and other comprehensive income

Table No. (21): Statement of comprehensive income for the fiscal years ended 31 December 2018G, 2019G and 2020G, and the six-month period ended 30 June 2020G and 2021G

SAR in 000s	2018G Audited	2019G Audited	2020G Audited	Variance 2018G -2019G	Variance 2019G -2020G	CAGR 2018G -2020G	Six-month period ended 30 June 2020G Reviewed	Six-month period ended 30 June 2020G Reviewed	Variance 30 June 2020G - 30 June 2021G
Continuing Operations									
Revenue	296,569	338,021	499,855	14.0%	47.9%	29.8%	193,917	345,509	78.2%
Cost of revenue	(111,369)	(166,387)	(358,717)	49.4%	115.6%	79.5%	(108,741)	(234,309)	115.5%
Gross profit	185,200	171,634	141,138	(7.3%)	(17.8%)	(12.7%)	85,176	111,200	30.6%
General and administrative expenses	(122,017)	(211,138)	(171,530)	73.0%	(18.8%)	18.6%	(66,549)	(72,924)	9.6%
Selling and marketing expenses	(24,147)	(45,146)	(52,631)	87.0%	16.6%	47.6%	(13,940)	(26,439)	89.7%
Loss/gain from operations	39,036	(84,650)	(83,023)	(316.9%)	(1.9%)	-	4,687	11,837	152.5%
Financial Charges	(49,193)	(44,825)	(17,294)	(8.9%)	(61.4%)	(40.7%)	(8,333)	(27,742)	232.9%
Declined in value of investment properties	-	(34,377)	(82,698)	-	140.6%	0.0%	-	-	-
Impairment provision for prepayments and other receivables	(20,000)	(10,865)	(38,370)	(45.7%)	253.2%	38.5%	(5,000)	(800)	(84.0%)
Impairment of property and equipment	-	-	(5,755)	-	-	0.0%	-	-	-
Write-off of capital work-in-progress	-	(63,135)	-	-	(100%)	0.0%	-	-	-
Gain on revaluation of investments designated at FVPL	(893)	12,171	9,646	-	(20.7%)	-	-	-	-
Share of profit of an associate	19,743	17,446	16,042	(11.6%)	(8.0%)	(9.9%)	7,703	7,243	(6.0%)
Dividend's income	2,802	9,148	6,019	226.5%	(34.2%)	46.6%	-	-	-
Other income	1,506	4,628	66,305	207.3%	1332.7%	563.5%	6,251	14,948	139.1%
Gain on disposal of investments designated at FVPL	22,980	23,019	-	0.2%	(100.0%)	0.0%	-	-	-
Impairment loss on sukuk	(206,338)	-	-	(100.0%)	-	0.0%	-	-	-
Gain on revaluation of derivatives financial instruments	13,156	-	-	(100.0%)	-	0.0%	-	-	-
Income from short-term deposits and sukuk	953	-	-	(100.0%)	-	0.0%	-	-	-

SAR in 000s	2018G Audited	2019G Audited	2020G Audited	Variance 2018G -2019G	Variance 2019G -2020G	CAGR 2018G -2020G	Six-month period ended 30 June 2020G Reviewed	Six-month period ended 30 June 2020G Reviewed	Variance 30 June 2020G - 30 June 2021G
Loss before Zakat from continuing operations	(176,248)	(171,440)	(129,128)	(2.7%)	(24.7%)	(14.4%)	5,308	5,486	3.4%
Zakat	(21,028)	(12,687)	(25,304)	(39.7%)	99.4%	9.7%	(9,667)	(6,229)	(35.6%)
Loss of the year/ period from continuing operations	(197,276)	(184,127)	(154,432)	(6.7%)	(16.1%)	(11.5%)	(4,359)	(743)	(83.0%)
Loss after zakat from discontinued operations	-	(13,919)	(4,661)	-	(66.5%)	0.0%	(4,284)	-	(100.0%)
Net loss of the year/ period	(197,276)	(198,046)	(159,093)	0.4%	(19.7%)	(10.2%)	(8,643)	(743)	(91.4%)
Relating to the shareholders of the parent company	(183,069)	(140,741)	(186,351)	(23.1%)	32.4%	0.9%	(7,558)	(13,720)	81.5%
Relating to non-controlling interests	(14,207)	(18,352)	(11,695)	29.2%	(36.3%)	(9.3%)	(1,085)	12,977	(1296.0%)
Other comprehensive income (loss):									
Net change in the fair value of investments in equity instruments carried at fair value through other comprehensive income	(64,252)	(4,756)	31,284	(92.6%)	(757.8%)	-	(5,423)	74,329	(1470.6%)
Share in other comprehensive income of an associate	3,131	1,705	3,479	(45.5%)	104.0%	5.4%	-	-	-
Revaluation losses for defined benefit plans	5,039	(3,473)	(2,691)	(168.9%)	(22.5%)	-	-	-	-
Total other comprehensive income (loss) for the year/period	(253,358)	(204,570)	(127,021)	(19.3%)	(37.9%)	(29.2%)	(14,066)	73,586	(623.1%)
Related to the shareholders of the parent company	(239,151)	(192,437)	(107,768)	(19.5%)	(44.0%)	(32.9%)	(12,981)	60,609	(121.4%)
Related to non-controlling interests	(14,207)	(12,133)	(19,253)	(14.6%)	58.7%	16.4%	(1,085)	12,977	(108.4%)

Source: Audited financial statements for the financial years ended 31 December 2018G, 2019G and 2020G, and the reviewed financial statements for the six-month period ended 30 June 2020G and 2021G

Table of Contents

Table No. (22): Key performance indicators for the financial years ended 31 December 2018G, 2019G and 2020G, and the six-month period ended 30 June 2020G and 2021G

As a % of Revenue	2018G Management Information	2019G Management Information	2020G Management Information	Variance 2018G -2019G	Variance 2019G -2020G	CAGR 2018G -2020G	Six-month period ended 30 June 2020G Management Information	Six-month period ended 30 June 2021G Management Information	Variance 30 June 2020G - 30 June 2021G
Gross profit	62.4%	50.8%	28.2%	(11.7)	(22.5)	(34.2)	43.9%	32.2%	(11.7)
General and administrative expenses	41.1%	62.5%	34.3%	21.3	(28.1)	(6.8)	34.3%	21.1%	(13.2)
Selling & distribution expenses	8.1%	13.4%	10.5%	5.2	(2.8)	2.4	7.2%	7.7%	0.5
Income / (loss) of operations	(25.4%)	(20.5%)	(8.3%)	4.9	12.2	17.1	23.2%	19.0%	(4.2)
Loss before Zakat from continuing operations	(59.4%)	(50.7%)	(25.8%)	8.7	24.9	33.6	2.7%	1.6%	(1.1)
Net loss for the year/ period	(66.5%)	(58.6%)	(31.8%)	7.9	26.8	34.7	(4.5%)	(0.2%)	4.2

Source: Management information

Revenue

The Company's revenue along with its subsidiaries mainly comprised of rental revenue, infrastructure revenue, facility management and construction revenue.

Revenue is recognized through:

1. Release of invoices upon the completion of the agreed services as per the contract.
2. The percentage of completion or costs incurred for the construction services contracts.
3. Or when selling and delivering the real estate units to the clients.

Revenue increased by 14.0% from SAR296.6 million in 2018G to SAR338.0 million in 2019G, mainly due to the increase in the revenue generated from facility management services as a result of signing new facility management contracts, mainly with Al Rajhi Bank and Tatweer Company for Educational Services affiliated with the Ministry of Education, in addition to the kick-off of two new revenue streams, the construction services and the infrastructure services, which contributed to an increase in revenue of SAR34.7 million and SAR3.7 million, respectively, out of total revenue. This was offset by a decrease in rental revenue by SAR31.3 million in 2019G as a result of the decrease in the number of commercial tenants due to the roadwork disruption carried out by the municipality, on Olaya street and Salah Al-Din Al-Ayubi Road (New Sitteen), in addition to the vacancy of many residential properties due to renovation works carried out by the Group, (particularly in Olaya residential complex (Gate 7 and Gate 9) and some units in the Diplomatic Quarter), coupled with lower lease rates granted to tenants for projects under maintenance and refurbishment or renovations, in order to increase the demand.

Revenue increased further by 47.9% to SAR499.9 million in 2020G, mainly due to the increase in the infrastructure revenue by SAR196.1 million, mainly driven by signing new contracts with the government in addition to progressing in the construction of the projects with Red Sea Development Company, and the kick-off of new projects awarded to the Group, namely by Mohammed bin Salman Foundation (Misk projects), Amala Company, Diriyah Gate Development Authority, and Al Falah projects, which in turn led to an increase in the infrastructure revenue. This was coupled with an increase in the facility management revenue by SAR546,000 as a result of the new contract signed with Al Rajhi Takaful, in addition to the renewal of many contracts at higher prices as a result of providing additional services to clients. This was partly offset by a decrease in rental revenue by SAR10.8 million stemming from the loss of many commercial tenants, coupled with special discounts offered to other tenants due to the outbreak of the COVID-19 pandemic. during the same period.

During 2020G, the government implemented several precautionary measures, which included the close of borders (on land, air, and sea), partial and total curfews, social distancing, and other precautionary measures to limit the spread of the emerging COVID-19 (from March to June 2020G). The Group's activities were not affected entirely by the partial and total curfews, however, some sectors of the Group were directly affected by this pandemic and the underlying governmental measures, whereby the rental revenue decreased as a result of the loss of several commercial tenants due to the curfew imposed, coupled with the decrease in the number of visitors at commercial shops, and the grace period granted to tenants in shopping Malls up to 45 days, in order to retain customers and help them overcome the challenges arising from COVID-19 pandemic.

Revenue increased by 78.2% from SAR193.9 million over the six-month period ended 30 June 2020G to SAR345.5 million over the six-month period ended 30 June 2021G as a result of an increase in infrastructure revenue by SAR162.4 million, which mainly resulted from winning two new projects with Al Falah Company and Diriyah Gate Development Authority, in addition to the completion of several workstreams related to infrastructure projects, mainly in connection with Mohammed bin Salman Foundation (Misk projects), the Saudi Entertainment Projects Company, Amala Company, and the Red Sea Development Company, coupled with the start of construction works for Diriyah Gate Development Authority and Al Falah Company.

Cost of revenue

Cost of revenue mainly comprised of materials cost, sub-contract costs, employees' salaries, wages and other related benefits, depreciation, maintenance, and other expenses. Cost of revenue increased by 49.4% from SAR111.4 million in 2018G to SAR166.4 million in 2019G, mainly driven by an increase in employees' salaries, wages and other related benefits by SAR33.9 million as a result of the increase in the number of employees by around 33 employees, in line with the increase in the number of infrastructure projects, and the increase in materials cost by SAR18.2 million as a result of the introduction of the infrastructure and construction services, coupled with an increase in the depreciation expense by SAR3.4 million mainly in connection with additions on investment properties and property and equipment.

Cost of revenue increased further by 115.6% to SAR358.7 million in 2020G as a result of: (1) the increase in sub-contract costs by SAR84.0 million as a result of the new projects introduced by the Group in connection with Mohammed bin Salman Foundation (Misk projects), Amala Company, Diriyah Gate Development Authority, and Al Falah projects, (2) an increase in materials costs by SAR73.6 million due to the ramp-up and expansion of projects, (3) an increase in employees' salaries, wages and other related benefits by SAR18.3 million as a result of the increase in the number of employees by around 70 employees, and (4) an increase in depreciation expense by SAR14.7 million mainly in connection with additions on investment properties and property and equipment over the same period.

Cost of revenue increased by 115.5% from SAR108.7 million over the six-month period ended 30 June 2020G to SAR234.3 million over the six-month period ended 30 June 2021G as a result of the increase in sub-contracting and materials cost by SAR55.6 million and SAR51.6 million, respectively, due to winning two new projects with Al Falah Company and with the Diriyah Gate Development Authority over the same period.

Gross profit

Gross profit decreased by 7.3% from SAR185.2 million in 2018G to SAR171.6 million in 2019G (gross margin decreased from 62.4% to 50.8%), and this decrease mainly resulted from the increase in cost of revenue by SAR55.0 million as a result of the increase in employees' salaries, wages and other related benefits in line with the increase in the number of employees, coupled with an increase in materials cost due to the introduction of two new types of services infrastructure and construction, coupled with an increase in revenue generated by SAR41.5m, as a result of signing several new contracts with clients. These new services introduced by the Group contributed to additional revenue of SAR34.7 million and SAR3.7 million, respectively, to the total increase in revenue over the same period.

Gross profit decreased further by 17.8% to SAR141.1 million in 2020G (gross margin decreased to 28.2%) following the increase in cost of revenue by SAR192.3 million, stemming from the increase in sub-contracting and materials costs, due to the new projects won by the Group in connection with the infrastructure projects with Mohammed bin Salman Foundation (Misk projects), Amala Company, Diriyah Gate Development Authority, and Al Falah projects, in addition to the ramp-up and expansion of other projects, coupled with an increase in employees' salaries, wages and other related benefits in line with the increase in the number of employees by around 70 employees. This was offset by an increase in revenue by SAR161.8 million due to the progression in the construction works of the projects with the Red Sea Development Company, coupled with the introduction of new services for Mohammed bin Salman Foundation (Misk projects), Amala Company, Diriyah Gate Development Authority, and Al Falah projects, and an increase in facility management revenue due to the renewal of contracts at higher prices as a result of providing additional services to clients over the same period.

Gross profit increased by 30.6% from SAR85.2 million over the six-month period ended 30 June 2020G to SAR111.2 million over the six-month period ended 30 June 2021G as a result of an increase in revenue by SAR151.6 million which mainly resulted from winning two new infrastructure projects with Al Falah Company and Diriyah Gate Development Authority, in addition to the completion of several workstreams on other projects. This was in line with an increase in cost of revenue by SAR125.6 million due to the increase in sub-contracting and materials costs stemming from the new projects awarded to the Group.

General and administrative expenses

General and administrative expenses mainly consist of employees' salaries, wages and other related benefits, professional, consulting, and governmental fees, attendance allowance and committee's remuneration, information technology expenses, depreciation expenses, amortization of intangible assets, management and restructuring fees for Alinma Alakaria Real Estate Fund, and a provision for white idle land fees, in addition to other general and administrative expenses. General and administrative expenses increased by 73.0% from SAR122.0 million in 2018G to SAR211.1 million in 2019G as a result of: (1) an increase in professional, consulting and governmental fees by SAR31.5 million due to the design and consulting costs related to Al-Widyan residential project, (2) new expenses recorded by Management on restructuring fees for Alinma Alakaria Real Estate Fund and a provision for white land fee with total balances of SAR28.1 million and SAR17.2 million, respectively, and (3) an increase in employees' salaries, wages and other related benefits by SAR19.2 million as a result of the increase in the number of employees by around 22 employees over the same period.

General and administrative expenses decreased by 18.8% to SAR171.5 million in 2020G, due to the absence of any expenses related to restructuring fees for Alinma Alakaria Real Estate Fund and white idle land fees, as there was no need to allocate any provision similar to what was previously recorded in 2019G. This was partially offset by an increase in IT expenses by SAR3.6 million as a result of the increase in the number of licenses and subscriptions for the SAP system resulting from the increase in the number of employees over the same period.

General and administrative expenses increased by 9.6% from SAR66.5 million over the six-month period ended 30 June 2020G to SAR72.9 million over the six-month period ended 30 June 2021G as a result of an increase in the employees' salaries, wages and other related benefits by SAR4.3 million stemming from annual increments on basic salary, coupled with an increase in professional, consulting and governmental fees by SAR3.8 million due to the design and consulting costs in connection with the projects under construction (Al-Aqiq, Al-Yamamah and Jeddah projects), which is planned to be carried out after obtaining once the rights issue process is finalised. This was partially offset by the decrease in the attendance allowance and committee's remuneration by SAR3.2 million in line with the lower number of General Assembly meeting held over the same period.

Selling and marketing expenses

Selling and marketing expenses consist mainly of expected credit losses, sales commission, employee's salaries, wages and other related benefits, promotions, and advertisement, in addition to other selling and marketing expenses. Selling and marketing expenses increased by 87.0% from SAR24.1 million in 2018G to SAR45.1 million in 2019G due to the increase in promotions and advertisement expenses by SAR20.4 million following the increase in the advertising campaigns for Al Widyan residential project in the North of Riyadh, as the Group intends to create an identity for the project and promote the project through strategic and commercial aspects, this was coupled with an increase in employee's salaries, wages and other related benefits by SAR3.7 million as a result of the recruitment of new experienced employees. This was partially offset by a decrease in expected credit losses by SAR2.3 million due to the change in the provisioning policy resulting in an increase in the provision for expected credit losses following the higher risk of collection of receivable balances from customers due to the outbreak of COVID-19 over the same period.

Selling and marketing expenses increased further by 16.6% to SAR52.6 million in 2020G as a result of the increase in the sales commission amounting to SAR13.7 million in connection with the commissions granted to the sales representatives, brokers, and agents for Remal Al Dahia residential project, whereby the off-plan sales of the underlying units started in 2020G.

This was partly offset by a decrease in promotions and advertisement expenses by SAR20.2 million as a result of discontinuing the marketing activities related to Al Widyan residential project.

Selling and marketing expenses increased by 89.7% from SAR13.9 million over the six-month period ended 30 June 2020G to SAR26.4 million over the six-month period ended 30 June 2021G, mainly due to the increase in the expected credit losses by SAR7.5 million in line with the additional provisions booked amounting to SAR145 million, coupled with an increase in promotions and advertisement expense by SAR4.1 million related to the social media activities for Remal Al Dahia residential project in Riyad.

Operating income / (loss)

Operating income decreased from SAR39.0 million in 2018G to an operating loss of SAR84.7 million in 2019G as a result of: (1) the increase in general and administrative expenses by SAR89.1 million, as the Group incurred new expenses related to management and restructuring fees for Alinma Alakaria Real Estate Fund and a provision for white idle land fees, (2) an increase in selling and marketing expenses by SAR21.0 million as a result of an increase in promotions and advertisement expenses by SAR20.4 million due to the campaigns held for Al-Widyan project, and (3) a decrease in gross profit by SAR13.6 million stemming from an increase in cost of revenue by SAR55.0 million due to the increase in employee's salaries, wages and other related benefits, in line with the increase in headcount, coupled with an increase in material costs due to the introduction of the infrastructure and construction services over the same period.

Operating loss decreased by 1.9% to SAR83.0 million in 2020G, due to the decrease in general and administrative expenses by SAR39.6 million due to the absence of any expenses related to restructuring fees for Alinma Alakaria Real Estate Fund and white idle land fees, which were previously recorded in 2019G. This was partially offset by a decrease in gross profit by SAR30.5 million following the increase in cost of revenue by SAR192.3 million due to the increase in sub-contracting and material costs, following the kick-off of Misk projects, and other projects related to Amala Company, Diriyah Gate Development Authority, and Al Falah projects, in addition to the ramp-up and expansion of other projects over the same period.

Operating income increased by 152.5% from SAR4.7 million over the six-month period ended 30 June 2020G to SAR11.8 million over the six-month period ended 30 June 2021G, mainly due to the increase in gross profit by SAR26.0 million as a result of higher revenue generated by SAR151.6 million, following the increase in infrastructure revenue by SAR149.5 million, due to the completion of workstreams for some existing projects, coupled with winning two new projects with Al Falah and Diriyah Gate Development Authority. This was partially offset by an increase in selling and marketing expenses by SAR12.5 million as a result of an increase in expected credit losses by SAR7.5 million due to the additional provisions booked over the same period.

Financial charges

Financial charges relate to the interest expense on bank loans, finance cost on lease liabilities and interest expense on financial derivatives used to hedge against the interest rate fluctuations on one of the Group's loans. Financial charges decreased by 8.9% from SAR49.2 million in 2018G to SAR44.8 million in 2019G, mainly due to the decrease in the interest expense on financial derivatives by SAR9.4 million as a result of the settlement of the Group's financial derivatives. This was partly offset by an increase of interest expense on lease liabilities by SAR4.5 million as a result of the Group's implementation of International Financial Reporting Standards No. (16) during the same period. It is worth noting that an amount of SAR96.2 million and SAR145.0 million were capitalized in the historical years ended 31 December 2018G and 2019G, respectively, as financial charges on capital work in progress.

Financial charges decreased further by 61.4% to SAR17.3 million in 2020G as a result of a decrease in the financial charges on bank loans by SAR26.3 million due to the rescheduling some of the loans during the same period. It is worth noting that an amount of SAR102.3 million was capitalized as a finance charge within capital work in progress.

Financial charges increased by 232.9% from SAR8.3 million over the six-month period ended 30 June 2020G to SAR27.7 million over the six-month period ended 30 June 30 2021G due to an increase in financial charges on bank loans by SAR19.3 million given that the financial charges related to Al Widyan Project were no more capitalised following the change in the business strategy implemented by Management in connection with the development of Al-Widyan Project, it is worth noting that the Group decided to stop capitalizing the financial charges related to Al Widyan and Al Dahia projects over the period ended 30 June 2021G, in addition to additional financial charges incurred as the group obtained a new a short-term loan to finance its working capital needs over the same period.

Decline in value of investment properties

Decline in value of investment properties resulted from adjustments on investment properties based on independent valuations performed on yearly basis by experts accredited by Saudi Authority for Accredited Valuers (namely Century 21, Rawaj Real Estate, and other valuation experts). The decline in value of investment properties amounted to SAR34.4 million and SAR82.7 million in 2019G and 2020G, respectively, as a result of the revaluation of these investment properties.

Impairment provision for prepayments and other receivables

Impairment provision for prepayments and other receivables represents expected credit losses on prepayments and other receivables following the implementation of the International Financial Reporting Standards 9 ("IFRS 9") using the simplified approach, whereby the Group recognizes a loss allowance based on the average allowance for doubtful debts expected over the lives of the receivables at the date of each financial statement. Impairment provision for prepayments and other receivables increased at a compound growth rate of 38.5% from SAR20.0 million in 2018G to SAR 38.4 million in 2020G as a result of additional provisions in connection with the down payment made by the Group to purchase a land amounting to SAR50.0 million. Subsequently, the land was not purchased, and accordingly the Group gradually provided for the full amount over the historical period.

Impairment provision for prepayments and other receivables amounted to SAR5.0 million and SAR800,000 over the six-month period ended 30 June 2020G and 2021G, respectively.

Impairment of property and equipment

Impairment of property and equipment relates to a decrease in the value, qualification or capacity of property and equipment, which may result from several internal and external factors. Impairment loss of property and equipment amounted to SAR5.8 million in 2020G.

Write-off of capital work in progress

Write-off of capital work in progress recorded by the Group represents reflects the economic feasibility of the projects in progress in 2019G (both residential and commercial). Based on the studies prepared by the valuation experts, such hospitality projects are no longer economically viable, given that some projects that are being developed on lands located in the north of Riyadh were stopped following the governmental orders issued with this regard, and accordingly these were written-off with a total balance amounting to SAR63.1 million in 2019G.

Gain on revaluation of investments designated at fair value through profit or loss ("FVPL")

Gain on revaluation of investments designated at fair value through profit or loss represents the change in fair value of derivative financial instruments designated at FVPL, including Jadwa Investment Fund through equity instruments. Gain on revaluation of investments designated at fair value through profit or loss recorded losses of SAR893 thousand in 2018G, and profits of SAR12.2 million in 2019G and SAR9.6 million in 2020G.

Share of profit of an associate

Share of profit of an associate pertains to the share of the Group in the profits of Riyadh Holding Company, in which the Group owns 16.7% share as at 31 December 2018G, 2019G and 2020G. The Group recognises the aforementioned profit using the equity method in the consolidated financial statements at year end following the significant influence of the Group on Riyadh Holding Company. Share of profit of an associate amounted to SAR19.7 million, SAR17.4 million and SAR16.0 million in 2018G, 2019G and 2020G, respectively. These balances represent the Group's share (16.7%) in the profits of Riyadh Holding Company, which amounted to SAR118.4 million, SAR104.6 million and SAR96.3 million in 2018G, 2019G and 2020G, respectively. Share of profit of an associate amounted to SAR7.7 million and SAR7.2 million over the six-month period ended 30 June 2020G and 30 June 2021G, respectively.

Dividend

Dividend income denotes dividend received on various investments of the Group mainly in connection with Knowledge Economic City, Um Al Qura Development Company for, Dar Al Tamleek and Kinan International for Real Estate Development Company. Dividend income amounted to SAR2.8m, SAR9.1m and SAR6.0 million in 2018G, 2019G 2020G, respectively. It is worth noting that the Group's auditors classified dividend income within other income in 2019G and reclassified them back to an independent account in 2020G.

Other income

Other income includes gain on disposal of land, finance income, other real estate revenue, income from reversal of provisions recorded for management and restructuring fees that are no longer required, in addition to other miscellaneous income. Other income amounted to SAR1.5 million in 2018G and mainly related to the reversal of provisions that are no longer required for the Group. Other income amounted to SAR4.6 million in 2019G, and mainly comprised of finance income of SAR1.7 million and other real estate revenue of SAR1.1 million, in addition to other miscellaneous income of SAR1.9 million recorded over the same period.

Other income amounted to SAR66.3 million in 2020G, and mainly related to gain on disposal of lands amounting to SAR44.3 million, stemming from the sale of lands (with a carrying value of SAR9.3 million) at a total amount of SAR53.0 million, which resulted in a gain on sale of land, this was coupled with other income resulting from a reversal of fund's management fees accrued but no longer required in connection with Alimna Al-Akaria Real Estate Development Fund, which amounted to SAR18.8 million, in addition to other miscellaneous income recorded over the same period.

Other income amounted to SAR6.0 million over the six-month period ended 30 June 2020G, and SAR6.3 million over the six-month period ended 30 June 2021G, and mainly comprised of dividend income from an investment in companies through equity instruments listed at fair value through other comprehensive income. Dividend income resulted from an investment in Knowledge Economic City, Um Al Qura Development Company for, Dar Al Tamleek and Kinan International for Real Estate Development Company.

Gain on disposal of investments designated at fair value through profit or loss

Gains on disposal of investments designated at fair value through profit or loss relates to gains resulted from the Group's sale of investments carried at fair value through profit or loss and amounted to SAR23.0 million in 2018G and 2019G. The gain realized on the sale of these investments was reclassified from other reserves to the accumulated losses during the same period.

Impairment loss on sukuk

Impairment loss on sukuk pertains to losses resulting from the Group's investment in debt instruments at amortised cost in Al Bayan Holding Company on sukuk issued by Al Bayan Holding Company. The Group recognised losses for the full value of these sukuks, and recorded the profits made over the same period. Impairment loss on sukuk amounted to SAR187 million and the rest represented the profits over the same period resulting from the default of Al Bayan Holding Company on its obligations. Impairment loss on sukuk amounted to SAR206.3 million in 2018G.

Gain on revaluation of derivatives financial instruments

Gain on revaluation of derivatives financial instruments relates to the change in fair value of derivative financial instruments designated at fair value through profit or loss of a floating rate loan portfolio for which risks are covered economically by hedging through financial derivatives, the maturity date was 21 May 2019G with a floating rate of 3-month SAIBOR + 1%, the fair value of the derivatives amounted to SAR 2.3 million as at 31 December 2018G and nil as at 31 December 2019G. The change in the fair value of the derivatives represents a gain of SAR12.3 million as at 31 December 2018G and amounted to nil as at 31 December 2019G. Gain from revaluation of derivative financial instruments amounted to SAR13.2 million in 2018G. The financial derivatives were settled during 2019G, and the profit from this settlement amounted to SAR553 which was classified under other income over the same period.

Income from short-term deposits and sukuk

Income from short-term deposits and sukuk relate to the cash return from the Group's Murabaha deposit and sukuk returns. Income from short-term deposits and sukuk amounted to SAR953 thousand in 2018G.

Zakat

The Group submitted its zakat returns for all historical years up to 2020G and settled all its obligations accordingly. Zakat assessments have been approved by the Authority for all years up until 2015G. Zakat expense decreased by 39.7% from SAR21.0 million in 2018G to SAR12.7 million in 2019G in line with the decrease in the loss before zakat from continuing operations in addition to the change in zakat base for the Group over the same period.

Zakat expense increased by 99.4% and amounted to SAR25.3 million in 2020G as a result of calculating zakat before submitting the consolidated zakat declaration which includes Al-Widyan Company over the same period.

Zakat expense decreased by 35.6% from SAR9.7 million over the six-month period ended 30 June 2020G to SAR6.2 million over the six-month period ended 30 June 2021G, due to the consolidation of the zakat declaration with Al Widyan Company over the same period.

Loss after Zakat from discontinued operations

On 2 September 2020G, the Group's board of directors decided to sell the 60.0% stake owed by the Group in Hanmi Project Management, which was sold during the six-month period ended 30 June 2021G, which resulted in a loss after zakat from discontinued operations of SAR13.9 million, SAR4.7 million and SAR4.3 million in 2019G, 2020G and the six-month period ended 30 June 2020G, respectively.

Table of Contents

5.7.1.1 Revenue by service

Table No. (23): Revenue by service for the financial years ended 31 December 2018G, 2019G and 2020G, and the six-month period ended 30 June 2020G and 2021G

SAR in 000s	2018G Audited	2019G Audited	2020G Audited	Variance 2018G -2019G	Variance 2019G -2020G	CAGR 2018G -2020G	Six-month period ended 30 June 2020G Reviewed	Six-month period ended 30 June 2020G Reviewed	Variance 2020G - 2021G
Rental revenue	294,897	263,569	252,694	(10.6%)	(4.1%)	(7.4%)	129,209	127,511	(1.3%)
Infrastructure revenue	-	3,703	199,836	NA	NA	NA	42,009	204,454	386.7%
Facility management	1,228	36,044	36,590	NA	1.5%	445.9%	17,807	11,002	(38.2%)
Construction revenue	-	34,705	10,735	NA	(69.1%)	NA	4,892	2,542	(48.0%)
Others	444	-	-	(100.0%)	NA	(100.0%)	-	-	-
Total	**296,569**	**338,021**	**499,855**	**14.0%**	**47.9%**	**29.8%**	**193,917**	**345,509**	**78.2%**
As a percentage of total revenue									
Rental revenue	99.4%	78.0%	50.6%	(21.5)	(27.4)	(48.9)	66.6%	36.9%	(29.7)
Infrastructure revenue	-	1.1%	40.0%	1.1	38.9	40.0	21.7%	59.2%	37.5
Facility management	0.4%	10.7%	7.3%	10.2	(3.3)	6.9	9.2%	3.2%	(6.0)
Construction revenue	0.0%	10.3%	2.1%	10.3	(8.1)	2.1	2.5%	0.7%	(1.8)
Others	0.1%	-	-	(0.1)	-	(0.1)	-	-	-

Source: Audited financial statements for the financial year ended 31 December 2018G, 2019G and 2020G, and the reviewed financial statements for the six-month period ended 30 June 2020G and 2021G

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties.

Revenue mainly comprised of rental revenue (representing 99.4% of the total revenue in 2018G). In 2020G, revenue was highly concentrated in rental revenue and infrastructure revenue which represented 50.6% and 40.6% of total revenue, respectively, after the introduction of infrastructure services by the Group in 2019G onwards.

Rental revenue

Rental revenue is generated from operating leases, it is accounted for on a straight-line basis over the lease terms. Rental revenue is generated from:

- commercial properties: commercial plaza, shopping centres, lands, community centres, shops, offices and showrooms; and
- residential properties: diplomatic quarters, residential villas, apartments and buildings.

Rental revenue amounted to SAR294.9 million in 2018G (99.4% of total), SAR263.6 million in 2019G (78.0% of total), SAR252.7 million in 2020G (50.6% of total), and SAR127.5 million (36.9% of total) over the six-month period ended 30 June 2021G.

The Group's rental revenue is generated from operating leases across different locations in Riyadh. The Group's rental revenue is generated from several tenants, without any customers/ tenants concentration. Rental revenue amounted to SAR294.9 million in 2018G (99.4% of total revenue), mainly in connection with the following main projects: Diplomatic Quarters 1, 2 and 3 (SAR82.0 million), Shopping Centres 1, 2 and 3 in connection with Al-Akaria Centres (SAR80.0 million), Akaria Plaza (SAR68.5 million), Midrise East, North, South, and West in connection with Olaya Residential (SAR50.0 million), and New Sitteen (SAR14.1 million).

Rental revenue decreased by 10.6% from SAR294.9 million in 2018G to SAR263.6 million in 2019G following the decrease in rental revenue generated from Shopping Centre 3 (-SAR16.3 million), Midrise North (-SAR7.0 million), and Midrise East (-SAR4.7 million). This was partially offset by an increase in rental revenue generated from the Diplomatic Quarter 3 ("DQ3") (+SAR3.1 million) following the commencement of the lease rental agreement in the Diplomatic Quarter 3 in December 2019G.

Table of Contents

Rental revenue decreased by 4.1% from SAR263.6 million in 2019G to SAR252.7 million in 2020G due to special discounts granted to tenants during the lockdown period, as the Group offered grace periods 2020G in order to limit the COVID-19 impact, this was coupled with lower lease rates offered to tenants for projects under maintenance and refurbishment or renovations, mainly attributed to Akaria Plaza (-SAR7.8 million), Shopping Centre 2 (-SAR3.5 million), and New Sitteen (-SAR2.9 million), partially offset by an increase in rental revenue generated from Diplomatic Quarter 3 (+SAR2.7 million) due to the full-year impact of the operating lease agreement in Diplomatic Quarter 3 in 2020G.

Rental revenue slightly decreased by 1.3% from SAR129.2 million over the six-month period ended 30 June 2020G to SAR127.5 million over the six-month period ended 30 June 2021G, following the decrease in rental revenue generated from Akaria Plaza (-SAR3.0 million) and Shopping Centre 1 (-SAR1.1 million), partially offset by an increase in revenue generated from La Casa (+SAR2.7 million) due to the ramp-up of the lease operations over the six-month period ended 30 June 2021G (La Casa lease rental agreement started in July 2020G).

Infrastructure revenue

Infrastructure revenue is mainly generated from the Groups' infrastructure projects for the government sector, including roadworks, bridge and tunnel works, earthworks, operation of water including wastewater, potable water and irrigation, and sale of ready-mix concrete. The Group started generating infrastructure revenue over the third quarter of 2019G, and revenue was mainly generated from Red Sea Development Company with a total balance of SAR3.7m in 2019G in connection with two projects: (i) Red Sea 1 Grading Project (SAR2.3 million, percentage of completion ("PoC") of 100% in 2019G), and (ii) Red Sea 2 Project (SAR1.4 million, PoC of 1.2% in 2019G). Revenue from fixed-price contracts is recognized based on the percentage of completion method, whereby Management records actual costs incurred, along with the respective revenue, by computing the proportion of costs incurred to-date to the total estimated costs for the completion of a contract. It is worth noting that the Group has infrastructure projects under progress inspired by the 2030 vision, including Red Sea Development Project, Amala Project and Diriyah Gate Project. Infrastructure revenue representing 1.1% of total revenue in 2019G (SAR3.7 million), increased to 40.0% in 2020G (SAR199.8 million), as the Group kicked off several new projects won in 2019G, in addition to progressing in other infrastructure projects mainly related to Red Sea Development Company with a total amount of (+SAR80.3 million) in connection with Red Sea 2 Project, corresponding to an increase in the percentage of completion of the project from 1.2% in 2019G to 62.1% in 2020G.

Infrastructure revenue increased by 386.7% from SAR42.0 million over the six-month period ended 30 June 2020G to SAR204.5 million over the six-month period ended 30 June 2021G, following winning two new projects, with Al Falah Company and Saudi Entertainment Company, this was coupled with the ramp-up of operations and completion of several phases of the infrastructure services, mainly in connection with Misk Foundation (+SAR73.7 million), stemming from Misk 1 project, whereby the percentage of completion reached 35.8% over the six-month period ended 30 June 30 2021G, Misk 2 project whereby the percentage of completion reached 20.5% over the six-month period ended 30 June 2021G, and Misk 3 project whereby the percentage of completion reached 1.2% over the six-month period ended 30 June 2021G, and infrastructure services provided to Al Falah Company, coupled with the kick-off of the infrastructure works related to Diriyah Gate Development Authority (+SAR41.1 million, whereby the percentage of completion reached 82.4% over the six-month period ended 30 June 2021G), in addition to the infrastructure works provided for the Saudi Entertainment Company (+SAR7.5 million, whereby the percentage of completion reached 100% over the six-month period ended 30 June 2021G). It is worth noting that infrastructure revenue as a percentage of total revenue increased from 21.7% over the six-month period ended 30 June 2020G to 59.2% over the six-month period ended 30 June 2021G, due to the completion of several phases of infrastructure projects, coupled with being awarded a major contract with Diriyah Gate Development Authority over the same period. Infrastructure revenue is mainly generated from projects secured by the Public Investment Fund ("PIF") who is the major shareholder and owns 64.6% of the Group's shares.

Facility Management revenue

Facility Management revenue is generated by the Group by providing various facility management services for properties that are not owned by the Group through contract agreements (with third parties), such services include maintenance and property management, security and cleaning services. Facility Management revenue represented 0.4% of total revenue in 2018G, 10.7% in 2019G, and 7.3% in 2020G. Facility Management revenue increased by 2835.2% from SAR1.2 million in 2018G to SAR36.0 million in 2019G as a result of signing several facility management new contracts, mainly with Al Rajhi Bank (+SAR20.1 million) and Tatweer Company for Educational Services affiliated with the Ministry of Education (+SAR14.8 million) over the same period.

Facility Management revenue increased further by 1.5% to SAR36.6 million in 2020G, mainly driven by signing a new contract with Al Rajhi Takaful Company to provide facility management services to its facilities, in addition to the renewal of several contracts at relatively higher prices as a result of providing additional services to clients over the same period.

Facility Management revenue decreased by 38.2% from SAR17.8 million over the six-month period ended 30 June 2020G to SAR11.0 million over the six-month period ended 30 June 2021G as a result of the decrease in revenue generated from Tatweer

Company for Educational Services (-SAR7.3 million) following the termination of the underlying facility management contracts in December 2020G, in addition to the failure to renew some facility management contracts, this was partially offset by signing a new facility management contract with Roshn Real Estate over the same period.

Construction revenue

Construction revenue relates to off-plan sale of units during the development and construction phase; construction contracts relate to construction and general contracting contracts for buildings, management of construction projects, and construction engineering design revenues in the public and private sectors.

Revenue from fixed-price contracts is recognized based on the percentage of completion method, whereby Management records actual costs incurred, along with the respective revenue, by computing the proportion of costs incurred to-date to the total estimated costs for the completion of a contract. Construction revenue represented 10.3% of total revenue in 2019G and 2.1% in 2020G. Construction revenue decreased by 69.1% from SAR34.7 million in 2019G to SAR10.7 million in 2020G, as a result of the decrease in revenue generated from Almadena project due to delays in construction works (-SAR19.7 million, whereby the percentage of completion decreased from 71.9% in 2019G to 22.05% in 2020G), coupled with losses amounting to (-SAR1.8 million) stemming from the termination of the agreement with Taief project in July 2019G. This was partially offset by the commencement of the construction works for the Ministry of Housing of SAR320 thousand whereby the Group was carrying sub-contracting construction services through another contractor who works directly with the ministry over the same period.

Construction revenue decreased by 48.0% from SAR4.9 million over the six-month period ended 30 June 2020G to SAR2.5 million over the six-month period ended 30 June 2021G as a result of the completion of the Dammam Project in April 2020G (-SAR1.1 million), and the decrease in revenue generated from Almadena Project (-SAR721 thousand), as construction works progressed over the six-month period ended 30 June 2020G.

Others

Other revenue amounted to SAR444 thousand in 2018G and relates to other revenue generated from construction contracts, such balances were reclassified under construction revenue in 2019G.

5.7.1.2 Rental revenue by property

Table No. (24): Rental income by property for the financial years ended 31 December 2018G, 2019G and 2020G, and the six-month period ended 30 June 2020G and 2021G

SAR in 000s	2018G (Management Information)	2019G (Management Information)	2020G (Management Information)	Six-month period ended 30 June 2020G (Management Information)	Six-month period ended 30 June 2021G (Management Information)
Akaria Plaza	68,499	66,112	58,288	31,672	28,633
Shopping Centre 2	31,765	28,692	25,179	13,231	14,090
Shopping Centre 3	37,670	21,415	20,055	10,010	9,113
Shopping Centre 1	10,597	11,330	9,800	5,403	4,313
New Sitteen	14,119	11,457	8,558	4,574	4,615
Community center	192	206	201	100	102
Lands rented	56	55	55	27	27
Remal project	-	-	-	-	(1,060)
Commercial revenue	**162,898**	**139,267**	**122,136**	**65,017**	**59,833**
Diplomatic Quarter 2	49,115	52,265	54,933	26,860	27,792
Diplomatic Quarter 1	32,529	31,701	31,569	16,030	16,286
Midrise North	24,755	17,742	19,793	9,726	9,343
Midrise West	8,320	7,470	7,460	3,813	3,675
Diplomatic Quarter 3	327	3,386	6,091	2,698	3,292
Midrise South	5,541	5,057	4,921	2,454	2,452
Midrise East	11,412	6,683	4,772	2,610	2,144

SAR in 000s	2018G (Management Information)	2019G (Management Information)	2020G (Management Information)	Six-month period ended 30 June 2020G (Management Information)	Six-month period ended 30 June 2021G (Management Information)
La Casa	-	-	1,018	-	2,694
Residential Revenue	131,999	124,304	130,557	64,191	67,678
Total rental revenue	294,897	263,571	252,693	129,208	127,511
As a percentage of total revenue					
Akaria Plaza	42.1%	47.5%	47.7%	48.7%	47.9%
Shopping Centre 2	19.5%	20.6%	20.6%	20.3%	23.5%
Shopping Centre 3	23.1%	15.4%	16.4%	15.4%	15.2%
Shopping Centre 1	6.5%	8.1%	8.0%	8.3%	7.2%
New Sitteen	8.7%	8.2%	7.0%	7.0%	7.7%
Community center	0.1%	0.1%	0.2%	0.2%	0.2%
Lands rented	0.0%	0.0%	0.0%	0.0%	0.0%
Remal project	0.0%	0.0%	0.0%	0.0%	(1.8%)
Commercial revenue	100.0%	100.0%	100.0%	100.0%	100.0%
Diplomatic Quarter 2	37.2%	42.0%	42.1%	41.8%	41.1%
Diplomatic Quarter 1	24.6%	25.5%	24.2%	25.0%	24.1%
Midrise North	18.8%	14.3%	15.2%	15.2%	13.8%
Midrise West	6.3%	6.0%	5.7%	5.9%	5.4%
Diplomatic Quarter 3	0.2%	2.7%	4.7%	4.2%	4.9%
Midrise South	4.2%	4.1%	3.8%	3.8%	3.6%
Midrise East	8.6%	5.4%	3.7%	4.1%	3.2%
La Casa	0.0%	0.0%	0.8%	0.0%	4.0%
Total rental revenue	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Management information

[*] An unreconciling variance amounting to SAR1,060 thousand was identified in the six-month period ended 30 June 2021G between the above table and the revenue by type by service. This relates to a manual adjustment recorded by Management in connection with Remal project

Commercial revenue

Commercial revenue amounted to SAR162.9 million in 2018G and was mainly generated from Akaria Plaza (SAR68.5 million, 42.1% of total commercial revenue), Shopping Centres 1, 2 and 3 (SAR80.0 million, 49.1% of total) and New Sitteen (SAR14.1 million, 8.7% of total).

Commercial revenue decreased by 14.5% from SAR162.9 million in 2018G to SAR139.3 million in 2019G mainly driven by:

- The decrease in revenue generated from Shopping Centre 3 by SAR16.3 million, as a result of the decrease in total occupancy from 92.5% in 2018G to 55.6% in 2019G (total occupied gross leasable assets ("GLA") decreased from 43,009 sqm in 2018G to 25,855 sqm in 2019G) mainly due to the loss of an anchor tenant Al-Rajhi Bank with a total occupied GLA of more than 26,000 sqm, coupled with a decrease in average rental revenue from SAR876 per sqm in 2018G to SAR828 per sqm in 2019G mainly due to retail tenants vacating with a relatively higher lease rate in Shopping Centre 3 as compared to offices, due to roadwork disruption in Olaya street (Metro Project);
- The decrease in revenue generated from Shopping Centre 2 by SAR3.1 million as a result of the decrease in total occupancy rate from 86.9% in 2018G to 66.7% in 2019G (total occupied GLA decreased from 52,998 sqm in 2018G to 40,671 sqm in 2019G) mainly driven by a single anchor tenant (Al-Rajhi Bank) with total occupied GLA of more than 2,500 sqm in 2019G, vacating with lower lease rates, which accordingly resulted in an increase in average rental revenue from SAR599 per sqm in 2018G to SAR705 per sqm in 2019G;
- The decrease in revenue generated from New Sitteen by SAR2.7 million driven by the decrease in total occupancy rate from 87.4% in 2018G to 56.9% in 2019G (total occupied GLA decreased from 30,155 sqm in 2018G to 19,633 sqm in 2019G), partially offset by an increase in average rental revenue from SAR468 per sqm in 2018G to SAR584 per sqm in 2019G as 4 anchor tenants released their offices with relatively lower lease rates; and

- The decrease in revenue generated from Akaria Plaza by SAR2.4 million following the decrease in total occupancy rate from 98.6% in 2018G to 89.5% in 2019G (total occupied GLA decreased from 78,335 sqm in 2018G to 71,138 sqm in 2019G), partially offset by the increase in average rental revenue from SAR874 per sqm in 2018G to SAR929 per sqm in 2019G, following the decrease in the retail occupancy rate from an average of 92% in 2018G to an average of 66% in 2019G, as a result of the decrease in total occupied GLA from retail shops, which are charged at a relatively lower lease rate as compared to offices in Akaria Plaza (an average rate of SAR730 per sqm for retail shops as compared to an average rate of SAR983 per sqm for offices in FY19).

Following the outbreak of COVID-19, the Group offered special discounts to Government tenants in 2020G to secure their tenancy, coupled with a grace period up to 45 days provided to tenants in shopping malls to support them during curfew periods. In addition, the roadwork disruption in Metro Project had a direct impact on the average occupancy rates and leased spaces in commercial properties.

Commercial revenue then subsequently decreased further by 12.3% from SAR139.3 million in 2019G to SAR122.1 million in 2020G due to the following:

- The decrease in revenue generated from Akaria Plaza by SAR7.8 million due to the decrease in average rental revenue from SAR929 per sqm in 2019G to SAR790 per sqm in 2020G following the new strategy implemented by the Group in 2020G to offer special discounts to government tenants. This was partially offset by a slight increase in total occupancy rate from 89.5% in 2019G to 92.9% in 2020G (total occupied GLA increased from 71,138 sqm in 2019G to 73,802 sqm in 2020G) mainly due to the additional large office space rented to STC Solution during 2020G;
- The decrease in revenue generated from Shopping Centre 2 by SAR3.5 million due to the significant drop in average rental revenue from SAR705 per sqm in 2019G to SAR525 per sqm in 2020G, partially offset by an increase in total occupancy rate from 66.7% in 2019G to 78.7% in 2020G (total occupied GLA increased from 40,671 sqm in 2019G to 47,986 sqm in 2020G). This was mainly driven by the increase in total occupancy rate from offices which are charged at relatively lower rates than retail in Shopping Centre 2 (offices at SAR520 per sqm in 2020G on average versus retail at SAR600 per sqm in 2020G on average); and
- The decrease in revenue generated from New Sitteen by SAR2.9 million as a result of the decrease in average rental revenue from SAR584 per sqm in 2019G to SAR417 per sqm in 2020G, since the Group offered relatively lower rates to existing and new tenants in 2020G due to (1) the deteriorating conditions of the leased units, coupled with (2) roadwork disruption on Sitteen Road, which occurred in both years (2019G and 2020G). This accordingly resulted in a slight increase in total occupancy rate from 56.9% in 2019G to 59.5% in 2020G (total occupied GLA increased from 19,633 sqm in 2019G to 20,525 sqm in 2020G).

Commercial revenue decreased by 8.0% from SAR65.0 million over the six-month period ended 30 June 2020G to SAR59.8 million over the six-month period ended 30 June 2021G, as a result of:

- The decrease in revenue generated from Akaria Plaza by SAR3.0 million due to the decrease in average rental revenue from SAR843 per sqm million over the six-month period ended 30 June 2020G to SAR776 per sqm million over the six-month period ended 30 June 2021G, which mainly resulted from special discounts offered to an anchor tenant namely STC Solution with an average of 13% to secure the underlying lease contract for 3 years, this was coupled with a decrease in the occupancy rate from 94.5% over the six-month period ended 30 June 2020G to 92.9% over the six-month period ended 30 June 2021G (total occupied GLA decreased from 75,110 sqm over the six-month period ended 30 June 2020G to 73,802 sqm over the six-month period ended 30 June 2021G) due to the eviction of two primary F&B tenants and the eviction of one of the leased offices by STC; and
- The decrease in revenue generated from Shopping Centre 1 by SAR1.1 million mainly driven by the decrease in total occupancy from 80.7% over the six-month period ended 30 June 2020G to 67.2% over the six-month period ended 30 June 2021G (total occupied GLA decreased from 20,142 sqm over the six-month period ended 30 June 2020G to 16,769 sqm over the six-month period ended 30 June 2021G), coupled with a slight decrease in average rental revenue from SAR536 per sqm over the six-month period ended 30 June 2020G to SAR514 per sqm over the six-month period ended 30 June 2021G, following the decrease in retail occupancy which are charged at higher rates than offices (offices are charged at an average of SAR518 per sqm over the six-month period ended 30 June 2021G versus retail being charged at an average of SAR560 per sqm over the same period).

Table of Contents

Residential revenue

Residential revenue amounted to SAR132.0 million in 2018G and was mainly generated from Diplomatic quarters 1, 2 and 3 (SAR82.0 million, 62.1% of total residential revenue), Midrise North (SAR24.8 million, 18.8% of total residential revenue) and Midrise East (SAR11.4 million, 8.6% of total residential revenue).

Residential revenue decreased by 5.8% from SAR132.0 million in 2018G to SAR124.3 million in 2019G mainly driven by the decrease in revenue generated from:

- The decrease in revenue generated from Midrise North by SAR7.0 million as a result of the decrease in average rental revenue per sqm from SAR578 per sqm in 2018G to SAR335 per sqm in 2019G due to special discounts offered to tenants, as the property required refurbishment due to its deteriorating condition. This accordingly resulted in an increase in total occupancy from 76.0% in 2018G to 94.0% in 2019G (total occupied GLA increased from 42,838 sqm in 2018G to 52,984 sqm in 2019G) in line with the increase in the number of units occupied from 283 in 2018G to 349 units in 2019G due to the special discounts offered to tenants; and
- The decrease in revenue generated from Midrise East by SAR4.7 million as a result of the decrease in total occupancy from 76.0% in 2018G to 36.0% in 2019G (following the decrease in total occupied GLA from 38,866 sqm in 2018G to 18,410 sqm in 2019G), in line with the decrease in the number of leased units from 257 in 2018G to 120 in 2019G, due to the loss of a single anchor tenant in August 2018G who previously rented a total 138 units at Midrise East (Gate 9) at discounted rates of SAR245 per sqm in 2018G on average. This accordingly resulted in an increase in the average rental revenue from SAR294 per sqm in 2018G to SAR363 per sqm in 2019G.

We note however that the drop in residential revenue over 2018G and 2019G period was partially offset by:

- The increase in revenue generated from Diplomatic Quarter 2 by SAR3.2 million following the increase in total occupancy rate from 67.5% in 2018G to 78.0% in 2019G (total occupied GLA increased from 75,843 sqm in 2018G to 87,674 sqm in 2019G) in line with the increase in the total number of units leased from 199 in 2018G to 230 in 2019G due to special discounts offered to tenants, which accordingly resulted in a decrease in average rental revenue per sqm from SAR648 per sqm in 2018G to SAR596 per sqm in 2019G, as the Group provided relatively lower lease rates in 2019G; and
- The increase in revenue generated from Diplomatic Quarter 3 by SAR3.4m in 2019G (with its operations kicking-off in December 2018G), with a total occupancy of 82.4% (total occupied GLA amounted to 10,365 sqm in 2019G), and average rental revenue of SAR327 per sqm. The Group provided discounts and relatively low average prices per sqm in 2019G in order to attract tenants and increase the competition in the market.

Residential revenue then subsequently increased by 5.0% from SAR124.3 million in 2019G to SAR130.6 million in 2020G mainly driven by:

- The increase in revenue generated from Diplomatic Quarter 3 by SAR2.7 million following the increase in total occupancy from 82.4% in 2019G to 100.0% in 2020G (total occupied GLA increased from 10,365 sqm in 2019G to 12,579 sqm in 2020G) in line with the increase in total units leased from 56 in 2019G to 68 in 2020G. This was coupled with an increase in average rental revenue per sqm from SAR327 per sqm in 2019G to SAR484 per sqm in 2020G, as the Group offered relatively lower lease rates in 2019G and special discounts to attract and retain tenants;
- The increase in revenue generated from Diplomatic Quarter 2 by SAR2.7 million due to the increase in total occupancy rate from 78.0% to 79.7% (total occupied GLA increased from 87,674 sqm in 2019G to 89,584 sqm in 2020G) in line with the increase in the number of leased units from 230 in 2019G to 235 in 2020G, coupled with an increase in the average rental revenue from SAR596 per sqm in 2019G to SAR613 per sqm in 2020G due to increase in the average lease rate of the 6 newly renovated units to SAR650 per sqm; and
- The increase in revenue generated from Midrise North by SAR2.1 million following the increase in total occupancy rate from 94.0% in 2019G to 98.0% in 2020G (total occupied GLA increased from 52,984 sqm in 2019G to 55,239 sqm in 2020G) in line with the increase in the number of leased units from 349 in 2019G to 365 in 2020G, coupled with a slight increase in the average rental revenue from SAR335 per sqm in 2019G to SAR358 per sqm in 2020G due to the increase in lease rates due to the conversion from Hijri to Gregorian, which accordingly increased the number of lease days (11 additional days).

Residential revenue generated from Midrise East decreased from SAR6.7 million in 2019G to SAR4.8 million in 2020G following the decrease in total occupancy rate from 36.0% in 2019G to 22.0% in 2020G (total occupied GLA decreased from 18,410 sqm in 2019G to 11,251 sqm in 2020G) in line with the decrease in the number of units leased from 120 in 2019G to 76 in 2020G due to the evacuation of all Gate 7 units in October 2020G for refurbishment purposes. However, average rental revenue per sqm increased from SAR363 per sqm in 2019G to SAR424 per sqm in 2020G, following the higher average lease rate in 2020G, due to the loss of a single anchor tenant namely The National Housing Co. (at Gate 7), charged at a relatively lower lease rate of SAR341 per sqm in 2019G. Midrise East was leased by multiple tenants in Gate 8 in 2020G at relatively high lease rates.

Residential revenue increased by 5.4% from SAR64.2 million over the six-month period ended 30 June 2020G to SAR67.7 million over the six-month period 30 June 2021G as a result of an increase in revenue generated from La Casa with a total balance of

SAR2.7 million, due to the ramp-up of operations over the six-month period ended 30 June 2021G, with an occupancy rate of 30.0% (total occupied GLA of 8,298 sqm over the six-month period ended 30 June 2021G), and average rental revenue rate of SAR649 per sqm over the six-month period ended 30 June 2021G.

Management is planning to refurbish all Olaya Midrise properties (North, South, East, and West) in 2021G onwards. According to Management, Refurbishment and renovation works were completed in Midrise East in Gate 9 in the second quarter of 2021G, and renovation works started in Gate 7 in October 2021G.

5.7.1.3 Revenue by type of customer

Table No. (25): Table (25): Revenue by type of customer for the financial years ended 31 December 2018G, 2019G and 2020G, and the six-month period ended 30 June 2020G and 2021G

SAR in 000s	2018G (Management Information)	2019G (Management Information)	2020G (Management Information)	Variance 2018G -2019G	Variance 2019G -2020G	CAGR 2018G -2020G	Six-month period ended 30 June 2020G (Management Information)	Six-month period ended 30 June 2021G (Management Information)	Variance 2020G-2021G
Government sector	24,474	67,074	259,125	174.1%	286.3%	225.4%	71,870	225,642	214.0%
Individual	118,684	96,681	101,924	(18.5%)	5.4%	(7.3%)	50,514	53,408	5.7%
Commercial and corporate clients	143,541	153,670	120,619	7.1%	(21.5%)	(8.3%)	62,644	58,181	(7.1%)
Embassies	8,198	17,077	18,186	108.3%	6.5%	48.9%	8,890	9,337	5.0%
Others	1,672	3,519	-	110.4%	(100.0%)	-		(1,060) *	-
Total	**296,569**	**338,021**	**499,854**	**14.0%**	**47.9%**	**29.8%**	**193,918**	**345,508**	**78.2%**
As a percentage of total revenue									
Government sector	8.3%	19.8%	51.8%	11.6	32.0	43.6	37.1%	65.3%	28.2
Individual	40.0%	28.6%	20.4%	(11.4)	(8.2)	(19.6)	26.0%	15.5%	(10.6)
Commercial and corporate clients	48.4%	45.5%	24.1%	(2.9)	(21.3)	(24.3)	32.3%	16.8%	(15.5)
Embassies	2.8%	5.1%	3.6%	2.3	(1.4)	0.9	4.6%	2.7%	(1.9)
Others	0.6%	1.0%	-	0.4	(1.0)	(0.6)	-	-	-

Source: Management information

* Revenue under others amounting to -SAR1.6 million in the six-month period ended 30 June 2020G, relates to the rental revenue from the subsidiaries of the Group (was not eliminated on a consolidation level), whereby the headquarters of these subsidiaries are located in the Company's owned property

Government sector revenue

Government sector revenue relates to revenue from infrastructure services, rental services, and facility management services to governmental entities. The main government clients are King Abdullah City for Atomic and Renewable Energy, the Presidency of State Security and Saudi Commission for Health Specialties, among others. Government sector revenue represented 8.3% of total revenue in 2018G, 19.8% in 2019G and 51.8% in 2020G. Government sector revenue increased by 174.1% from SAR25.4 million in 2018G to SAR67.1 million in 2019G following the introduction of the infrastructure services, which contributed to an increase in revenue generated from the government sector by SAR3.7 million, this was coupled with a new contract won by the Group with Tatweer Educational Services Company affiliated with the Ministry of Education to provide them with facility management services over the same period.

Government sector revenue increased further by 286.3% to SAR259.1 million in 2020G, following the increase in the infrastructure revenue as a result of the commencement of new infrastructure projects with Misk Foundation, Amala Company, and Diriyah Gate Development Authority, this was coupled with the completion of several phases of the Red Sea Development project, in addition to signing several new facility management contracts with Roshn Real Estate over the same period.

Government sector revenue increased by 214% from SAR71.8 million over the six-month period ended 30 June 2020G to SAR225.6 million over the six-month period ended 30 June 2021G in line with the increase in the infrastructure revenue following the completion of several projects, in addition to winning a new project with the Diriyah Gate Development Authority over the same period.

Revenue from individuals

Revenue from individuals relates to rental revenue from individuals in various residential complexes and represented 40.0% of total revenue in 2018G, 28.6% in 2019G, and 20.4% in 2020G. Revenue from individuals decreased by 18.5% from SAR118.7 million in 2018G to SAR96.7 million in 2019G as a result of the macro-economic factors that occurred in the Kingdom of Saudi Arabia, including the increase in prices for visas and residency which had a diverse impact on travels of foreigners, and accordingly this resulted in a decrease in the number of tenants in residential properties, in addition the Group offered lower lease rates for the old residential properties in order to encourage tenancy in vacant units, which accordingly resulted in the decrease in revenue over the same period.

Revenue from individuals sector increased by 5.4% to SAR101.9 million in 2020G, due to the high demand for newly renovated properties, following the maintenance, refurbishment and renovation works conducted by the Group on residential properties over the historical years, this resulted in an increase in revenue generated from residential properties in 2020G.

Revenue from individuals sector increased by 5.7% from SAR50.5 million over the six-month period ended 30 June 2020G to SAR53.4 million over the six-month period ended 30 June 2021G as a result of the Group's introduction of a new residential property in Al Narjis area in Riyadh, which contributed to an increase in revenue generated from individuals over the same period.

Revenue from commercial and corporate clients

Revenue from commercial and corporate clients relates to rental revenue and facility management revenue generated from companies. The main corporate clients are Al Rajhi Bank, Al Rajhi Takaful, Asala Holding Company, whereby commercial and corporate clients revenue represented 48.4% of total revenue in 2018G, 45.5% in 2019G and 21.4% in 2020G. Revenue from commercial and corporate clients increased by 7.1% from SAR143.5 million in 2018G to SAR153.7 million in 2019G as a result of signing a facility management contract with Al Rajhi Bank amounting to SAR20.1 million, in addition to recognizing a revenue of SAR28.4 million related to Almadena project following the completion of several phases. This was partially offset by a decrease in revenue generated from rental revenue generated from corporate clients by SAR40.3 million due to tenants leaving several commercial properties due to roadwork disruption and refurbishment and renovation of buildings conducted by the municipality over the same period.

Revenue from commercial and corporate clients decreased by 21.5% to SAR120.6 million in 2020G, mainly driven by the decrease in revenue generated from Almadena project as several phases were already completed in 2019G, this was coupled with a decrease in the rental revenue from corporate clients with a total amount of SAR11.0 million, due to tenants vacating from several commercial properties due to roadwork disruption and refurbishment and renovation of buildings conducted by the municipality over the same period. This was partially offset by a slight increase in revenue amounting to SAR480 thousand as a result of signing a new facility management contract with Al Rajhi Takaful over the same period.

Revenue from commercial and corporate clients decreased by 7.1% from SAR62.6 million over the six-month period ended 30 June 2020G to SAR58.2 million over the six-month period ended 30 June 2021G as a result of a decrease in rental revenue from corporate clients by SAR2.9 million, due to tenants vacating several commercial properties due to roadwork disruption and refurbishment and renovation of buildings conducted by the municipality in Olaya Street, in addition to a grace period up to 45 days provided to tenants in shopping malls to help limit the financial impact of COVID-19 over the period.

Revenue from embassies

Revenue from embassies relate to revenue generated from rental of buildings and lands to embassies of several countries and diplomats and consular personnel. All these properties leased for embassies' employees are located within the Diplomatic Quarters in Riyadh. Revenue from embassies represented 2.8% of total revenue in 2018G, 5.1% in 2019G and 3.6% in 2020G. Revenue from embassies increased by 48.9% from SAR8.2 million in 2018G to SAR18.2 million in 2020G, following the rental of several residential properties by the American Embassy, in addition to other embassies.

Revenue from embassies increased by 5.0% from SAR8.9 million over the six-month period 30 June 2020G to SAR9.3 million over the six-month period ended 30 June 2021G, as a result of the increase in the number of tenants in the residential properties of the American and the Indonesian embassies.

Others

Other revenue amounting to SAR1.7 million in 2018G related to construction contracts revenue and was reclassified under construction revenue in 2018G and within revenue from commercial and corporate clients in 2019G.

Other revenue amounted to SAR3.5 million in 2020G and related to revenue generated from the subsidiaries of the Group in connection with Al Widyan Project, whereby the subsidiaries provided project management services and construction work.

Other revenue resulted in a negative balance of SAR1.1 million over the six-month period ended 30 June 2021G, the negative balance resulted from the Group bearing losses from one of its subsidiaries, Saudi Real Estate Construction Company, related to the losses stemming from Al Dahia residential project over the same period.

5.7.1.4 Revenues by type of project

Table No. (26): Revenue by type of project for the financial years ended 31 December 2018G, 2019G and 2020G, and the six-month period ended 30 June 2020G and 2021G

SAR in 000s	2018G (Management Information)	2019G (Management Information)	2020G (Management Information)	Variance 2018G -2019G	Variance 2019G -2020G	CAGR 2018G -2020G	Six-month period ended 30 June 2020G (Management Information)	Six-month period ended 30 June 2021G (Management Information)	Variance 2020G-2021G
Commercial	162,898	183,324	358,563	12.5%	95.6%	48.4%	124,833	276,349	121.4%
Residential	131,998	154,697	141,293	17.2%	(8.7%)	3.5%	69,084	69,160	0.1%
Others	1,672	-	-	(100.0%)	-	-	-	-	-
Total	296,568	338,021	499,856	14.0%	47.9%	29.8%	193,917	345,509	78.2%
As a % of revenue									
Commercial	54.9%	54.2%	71.7%	(0.7)	17.5	16.8	64.4%	80.0%	15.6
Residential	44.5%	45.8%	28.3%	1.3	(17.5)	(16.2)	35.6%	20.0%	(15.6)
Others	0.6%	-	-	(0.6)	-	(0.6)	-	-	-

Source: management information.

Commercial projects

Revenue from commercial projects represents revenue generated from commercial projects including shops, companies, and governmental sector through different types of projects and services including leasing services, facilities management, or infrastructure projects, it is worth noting that all infrastructure services are considered as commercial projects. Commercial projects revenue represented 54.9% of total revenue in 2018G, 54.2% in 2019G and 71.7% in 2020G. Commercial projects revenue increased by 12.5% from SAR162.9 million in 2018G to SAR183.3 million in 2019G, following the introduction of the infrastructure services, which contributed to the increase in revenue generated from commercial projects, this was coupled with an increase in the number of facility management contracts, as the Group signed several new contracts with Al Rajhi Bank and Tatweer Company for Educational Services affiliated with the Ministry of Education, this was partially offset by the decrease in rental revenue generated from commercial properties with a total amount of SAR23.6 million due to tenants vacating several commercial properties following the refurbishment and renovation of buildings conducted by the municipality over the same period.

Revenue from commercial projects increased further by 95.6% to SAR358.6 million in 2020G, mainly due to the increase in the infrastructure revenue as the Group was awarded new projects with Misk Foundation, Amala Company, Diriyah Gate Development Authority and Al Falah Company, over the same period.

Revenue from commercial projects increased by 121.4% from SAR124.8 million over the six-month period ended 30 June 2020G to SAR276.3 million over the six-month period ended 30 June 2021G in line with the increase in the infrastructure revenue, following the ramp-up of operations and the completion of several phases of the infrastructure services provided to customers, coupled with the commencement of two new infrastructure projects won by the Group with Al Falah Company and Diriyah Gate Development Authority over the same period.

Residential projects

Revenue from residential projects relates to revenue generated from individuals, embassies, and government sector, which includes rental and construction services. Residential projects represented 44.5% of total revenue in 2018G, 45.8% in 2019G and 28.3% in 2020G. Revenue from residential projects increased by 17.2% from SAR132.0m in 2018G to SAR154.7m in 2019G due to the increase in construction revenue by SAR34.7m, following the progress made in the construction works and the increase in the percentage of completion of several projects, mainly Taief and Almadena projects in 2019G. This was partially offset by the decrease in the rental revenue from residential projects by SAR13.4m due to several macro-economic factors, including the increase in prices for visas and residencies which had a direct impact on travels of foreigners, and accordingly this resulted in a decrease in the number of tenants in residential properties, in addition to offering lower lease rates in old residential properties in order to encourage tenancy in vacant units, which accordingly resulted in the decrease in revenue over the same period.

Revenue from residential projects decreased by 8.7% to SAR 141.3 million in 2020G, mainly due to the decrease in construction revenue by SAR 24.0 million, following the completion of several phases of the construction works for Almadena Project, this was partially offset by an increase in rental revenue from residential properties by SAR6.3 million mainly stemming from the rental of several residential properties to the employees of the American Embassy, in addition to employees of other embassies in the diplomatic quarters in Riyadh over the same period.

Revenue from residential projects remained relatively stable at SAR69.2 million over the six-month period ended 30 June 2020G and the six-month period ended 30 June 2021G.

Others

Other revenue represents revenue amounted to SAR1.7 million in 2018G and representing 0.6% of total revenue. Other revenue is generated from construction projects, namely Saudi Real Estate Company ("the parent Company") offering buildings renovation works. Other revenue decreased following the reclassification of revenue generated from construction works within construction revenue, and as Saudi Real Estate Company ("the parent Company") stopped renovation works for buildings over the same period.

5.7.1.5 Cost of revenue

Table No. (27): Cost of revenue for the financial years ended 31 December 2018G, 2019G and 2020G, and the six-month period ended 30 June 2020G and 2021G

SAR in 000s	2018G Audited	2019G Audited	2020G Audited	Variance 2018G -2019G	Variance 2019G -2020G	CAGR 2018G -2020G	Six-month period ended 30 June 2020G Reviewed	Six-month period ended 30 June 2020G Reviewed	Variance 2020G - 2021G
Materials cost	-	18,204	91,803	-	404.3%	-	17,175	68,847	300.9%
Sub-contract	-	-	84,011	-	-	-	21,684	77,271	256.4%
Employees' salaries, wages and other related benefits	29,308	63,227	81,487	115.7%	28.9%	66.7%	32,805	46,566	41.9%
Depreciation	43,769	47,190	61,852	7.8%	31.1%	18.9%	26,227	28,157	7.4%
Maintenance expenses	28,540	30,208	24,911	5.8%	(17.5%)	(6.6%)	7,848	5,201	(33.7%)
Others	9,752	7,558	14,653	(22.5%)	93.9%	22.6%	3,002	8,267	175.4%
Total	**111,369**	**166,387**	**358,717**	**49.4%**	**115.6%**	**79.5%**	**108,741**	**234,309**	**115.5%**
Headcount	497	830	890	333	60	(557)	882	773	(109)
As a % of revenue									
Materials cost	-	5.4%	18.4%	5.4	13.0	18.4	8.9%	19.9%	11.1
Sub-contract	-	-	16.8%	-	16.8	16.8	11.2%	22.4%	11.2
Employees' salaries, wages and other related benefits	9.9%	18.7%	16.3%	8.8	(2.4)	6.4	16.9%	13.5%	(3.4)
Depreciation	14.8%	14.0%	12.4%	(0.8)	(1.6)	(2.4)	13.5%	8.1%	(5.4)

SAR in 000s	2018G Audited	2019G Audited	2020G Audited	Variance 2018G -2019G	Variance 2019G -2020G	CAGR 2018G -2020G	Six-month period ended 30 June 2020G Reviewed	Six-month period ended 30 June 2020G Reviewed	Variance 2020G - 2021G
Maintenance expenses	9.6%	8.9%	5.0%	(0.7)	(4.0)	(4.6)	4.0%	1.5%	(2.5)
Others	3.3%	2.2%	2.9%	(1.1)	0.7	(0.4)	1.5%	2.4%	0.8
Total	**37.6%**	**49.2%**	**71.8%**	**11.7**	**22.5**	**34.2**	**56.1%**	**67.8%**	**11.7**

Source: Audited financial statements for the financial year ended 31 December 2018G, 2019G and 2020G, and the reviewed financial statements for the six-month period ended 30 June 2020G and 2021G

Materials cost

Materials cost mainly comprised construction materials such as steel, concrete, iron, pipes, electric cables, and all materials needed for construction and infrastructure projects. Materials cost increased by 404.3% from SAR18.2 million in 2019G to SAR91.8 million in 2020G, mainly due to the ramp-up of the Group's activities and the expansion of infrastructure and construction projects, mainly in connection with the Red Sea Development project, Amala Project, Misk Foundation, Diriyah Gate Development Authority and Al Falah Company. Materials cost as a percentage of total revenue increased from 5.4% in 2019G to 18.4% in 2020G.

Materials cost increased by 300.9% from SAR17.2 million over the six-month period ended 30 June 2020G to SAR68.8 million over the six-month period ended 30 June 2021G as a result of winning two new infrastructure projects with Al Falah Company and Diriyah Gate Development Authority, which accordingly resulted in an increase in material costs over the same period.

Sub-contract costs

Sub-contract costs relate to subcontractors' fees for specialized service performed, including excavation, asphalting, concrete installation, and others. Sub-contract costs amounting to SAR84.0 million in 2020G, were offered to Misk Foundation, Amala Company, Diriyah Gate Development Authority and Red Sea Development Company. The Group did not employ any subcontracting services from third parties in 2019G.

Sub-contract costs increased by 256.4% from SAR21.7 million over the six-month period ended 30 June 2020G to SAR77.3 million over the six-month period ended 30 June 2021G, mainly due to the expansion in the Group's activities and winning two new infrastructure projects with Al Falah Company and Diriyah Gate Development Authority Company, whereby sub-contracting services were provided for projects with Misk Foundation, Amala Company, and Diriyah Gate Development Authority. Sub-contract costs as a percentage of total revenue increased from 11.2 % to 22.4% over the same period.

Employees' salaries, wages, and other related benefits

Employees' salaries, wages, and other related benefits mainly comprised basic salary for employees, housing, and transportation allowance, in addition to bonuses and other employee costs. Employees' salaries, wages, and other related benefits increased by 115.7% from SAR29.3 million in 2018G to SAR63.2 million in 2019G as a result of an increase in the number of employees by 333 employees from 497 employees to 830 employees due to the introduction of infrastructure and construction services, which resulted in an increase in the number of headcounts over the same period.

Employees' salaries, wages, and other related benefits increased further by 28.9% to SAR81.5 million in 2020G, in line with the increase in the number of employees by 60 employees in 2020G.

Employees' salaries, wages, and other related benefits increased by 41.9% from SAR32.8 million over the six-month period ended 30 June 2020G to SAR46.6 million over the six-month period ended 30 June 2021G as a result of the increase in the number of engineers and project managers who were employed on infrastructure projects with relatively higher compensation packages, in line with the expansion in the Group's activities.

Depreciation

Depreciation expense increased from SAR43.8 million in 2018G to SAR47.2 million in 2019G (by 7.8%) and further to SAR61.9 million in 2020G (by 31.1%), mainly due to additions in property and equipment and investment properties over the same period.

Depreciation expense increased by 7.4% from SAR26.2 million over the six-month period ended 30 June 2020G to SAR28.2 million over the six-month period ended 30 June 2021G, mainly due to additional capex purchased over the same period.

Maintenance expenses

Maintenance expenses represent the expenses of maintenance and repairs of offices, air conditions and elevators and on-site maintenance of machinery and equipment at construction sites, amongst other maintenance expenses.

Maintenance expenses increased by 5.8% from SAR28.5 million in 2018G to SAR30.2 million in 2019G as a result of the increase in maintenance works for investment properties, in addition to signing new facility management contracts, namely with Al-Rajhi Bank and Tatweer Company for Educational Services during the period.

Maintenance expenses decreased by 17.5% to SAR24.9 million in 2020G as a result of the decrease in the maintenance activities in line with the curfew and social distancing measures that took place in the Kingdom of Saudi Arabia during the outbreak of COVID-19 during 2020G.

Maintenance expenses decreased by 33.7% from SAR7.8 million over the six-month period ended 30 June 2020G to SAR5.2 million over the six-month period ended 30 June 2021G as a result of the decrease in maintenance works over the period following the lockdown imposed in the Kingdom of Saudi Arabia.

Others

Other expenses mainly comprised mainly of general expenses, administrative and rent land security expenses, in addition to other miscellaneous expenses. Other expenses decreased by 22.5% from SAR9.7 million in 2018G to SAR7.6 million in 2019G as a result of the decrease in general expenses by SAR1.7 million, mainly in connection with the costs incurred on SAP licenses, which was implemented by the Group in 2018G, as such many expenses were recorded within general expenses then were adjusted in 2019G.

Other expenses increased by 93.9% and amounted to SAR14.7 million in 2020G as a result of the increase in rent land security expenses with a total amount of SAR7.9 million, due to a rent expense recorded by Management erroneously in 2020G, given that the auditors did fully apply the IFRS16 in 2019G, however this has been adjusted for in the subsequent period.

Other expenses increased by 175.4% from SAR3.0 million over the six-month period ended 30 June 2020G to SAR8.3 million over the six-month period ended 30 June 2021G as a result of an increase in administrative expenses by SAR3.5 million in connection with employee costs and contracts for facility management services in commercial and residential properties, this was coupled with an increase in security expense by SAR1.1 million due to winning new facility management contracts that included security services over the same period.

5.7.1.6 General and administrative expenses

Table No. (28): General and administrative expenses for the financial years ended 31 December 2018G, 2019G and 2020G, and the six-month period ended 30 June 2020G and 2021G

SAR in 000s	2018G Audited	2019G Audited	2020G Audited	Variance 2018G -2019G	Variance 2019G -2020G	CAGR 2018G -2020G	Six-month period ended 30 June 2020G (Management Information)	Six-month period ended 30 June 2021G (Management Information)	Variance 2020G-2021G
Employees' salaries, wages and other related benefits	66,085	85,283	93,281	29.1%	9.4%	18.8%	42,584	44,263	3.9%
Professional, consulting and governmental fees	13,032	44,564	40,011	242.0%	(10.2%)	75.2%	5,261	9,042	71.9%
Attendance allowance and committee's remuneration	10,400	10,447	11,408	0.5%	9.2%	4.7%	4,873	1,703	(65.1%)
IT expenses	967	2,734	6,354	182.7%	132.4%	156.3%	827	3,274	295.9%
Depreciation	4,103	3,400	4,572	(17.1%)	34.5%	5.6%	3,629	4,257	17.3%
Amortisation of intangible assets	3,791	6,598	3,728	74.0%	(43.5%)	(0.8%)	1,548	-	(100.0%)

SAR in 000s	2018G Audited	2019G Audited	2020G Audited	Variance 2018G -2019G	Variance 2019G -2020G	CAGR 2018G -2020G	Six-month period ended 30 June 2020G (Management Information)	Six-month period ended 30 June 2021G (Management Information)	Variance 2020G-2021G
Management and restructuring fees for Alinma Alakaria Real Estate Fund	-	28,114	-	-	(100.0%)	-	-	-	-
Provision for white idle land fee	4,519	17,191	-	280.4%	(100.0%)	-	-	-	-
Travel expenses	1,807	-	-	(100.0%)	-	-	53	46	(13.2%)
Utilities	3,307	-	-	(100.0%)	-	-	248	496	100.0%
Short term rental expenses	2,133	-	-	(100.0%)	-	-	438	927	111.6%
Others	11,873	12,807	12,176	7.9%	(4.9%)	1.3%	7,088	8,916	25.8%
Total	**122,017**	**211,138**	**171,530**	**73.0%**	**(18.8%)**	**18.6%**	**66,549**	**72,924**	**9.6%**
Headcount	**268**	**290**	**287**	**22**	**(3)**	**19**	**287**	**272**	**(15)**
As a % of revenue									
Employees' salaries, wages and other related benefits	22.3%	25.2%	18.7%	2.9	(6.6)	(3.6)	22.0%	12.8%	(9.1)
Professional, consulting and governmental fees	4.4%	13.2%	8.0%	8.8	(5.2)	3.6	2.7%	2.6%	(0.1)
Attendance allowance and committee's remuneration	3.5%	3.1%	2.3%	(0.4)	(0.8)	(1.2)	2.5%	0.5%	(2.0)
IT expenses	0.3%	0.8%	1.3%	0.5	0.5	0.9	0.4%	0.9%	0.5
Depreciation	1.4%	1.0%	0.9%	(0.4)	(0.1)	(0.5)	1.9%	1.2%	(0.6)
Amortisation of intangible assets	1.3%	2.0%	0.7%	0.7	(1.2)	(0.5)	0.8%	0.0%	(0.8)
Management and restructuring fees	0.0%	8.3%	0.0%	8.3	(8.3)	-	0.0%	0.0%	-
Provision for white idle land fee	1.5%	5.1%	0.0%	3.6	(5.1)	(1.5)	0.0%	0.0%	-
Travel expenses	0.6%	0.0%	0.0%	(0.6)	-	(0.6)	0.0%	0.0%	-
Utilities	1.1%	0.0%	0.0%	(1.1)	-	(1.1)	0.1%	0.1%	-
Short term rental expenses	0.7%	0.0%	0.0%	(0.7)	-	(0.7)	0.2%	0.3%	0.1
Others	4.0%	3.8%	2.4%	(0.2)	(1.4)	(1.6)	3.7%	2.6%	1.1
Total	**41.1%**	**62.5%**	**34.3%**	**21.3**	**(28.1)**	**(6.8)**	**34.3%**	**21.1%**	**(13.2)**

Source: Audited financial statements for the financial year ended 31 December 2018G, 2019G and 2020G, and management information

Employees' salaries, wages, and other related benefits

Employees' salaries, wages, and other related benefits mainly comprised basic salary for employees, housing, and transportation allowance, in addition to bonuses and other employee costs. Employees' salaries, wages, and other related benefits increased by 29.1% from SAR66.1 million in 2018G to SAR85.3 million in 2019G as a result of the increase in the number of employees by 22 employees from 268 employees to 290 employees. This increase in the headcount was due to the establishment of Al-Widyan Company in 2018G.

Employees' salaries, wages, and other related benefits increased further by 9.4% to SAR93.3 million in 2020G as a result of the recruiting new employees with expertise and therefore with relatively higher compensation.

Employees' salaries, wages, and other related benefits increased by 3.9% from SAR42.6 million over the six-month period ended 30 June 2020G to SAR44.3 million over the six-month period ended 30 June 2021G, due to the recruitment of new employees with relatively higher compensation packages.

Professional, consulting, and governmental fees

Professional, consulting, and governmental fees mainly comprised of professional services, audit fees, legal, consulting, tax, licenses fees and advisory services. Professional, consulting, and governmental fees increased by 242.0% from SAR13.0 million in 2018G to SAR44.6 million in 2019G as a result of a reversal of capitalized expenses related to Al Widyan project in connection with design and consulting costs.

Professional, consulting and governmental fees decreased by 10.2% to SAR40.0 million in 2020G, mainly due to consulting services in order to set rules and regulations for Al Widyan project, with a total amount of SAR22.2 million, in addition to real estate tax charges on the sale of real estate with a value of SAR22.9 million in 2020G, in relation to the lands transferred to Alinma Investment Bank for Alinma Fund, as the tax authorities considered this transaction as a sale of land and charged a real estate tax on the transaction of c.5% over the same period.

Professional, consulting and governmental fees increased by 71.9% from SAR5.3 million over the six-month period ended 30 June 2020G to SAR9.0 million over the six-month period ended 30 June 2021G, mainly due to an increase in lawyer fees by SAR1.1 million for a legal advice on potential white land fees, in addition to law fees of SAR924 thousand which were recorded in connection with a lawsuit against another real estate company to recover a cash payments of SAR50.0 million for an incomplete transaction, and an increase in other legal expenses over the same period.

Attendance allowance and committees' remuneration

The Board annual remunerations are charged at SAR200 thousand per member, and committees' annual remunerations at SAR100 thousand per member, whereas Board meetings sitting fees are charged at SAR5 thousand per member per meeting. Attendance allowance and committees' remuneration remained relatively stable at SAR10.4 million in 2018G and 2019G, and then increased by 9.2% to SAR11.4 million in 2020G following the approval of the new Board of Directors of the Group to pay the bonuses relating to 2019G period in 2020G, which accordingly resulted in an increase in the attendance allowance and committees' remuneration over the same period.

Attendance allowance and committees' remuneration decreased by 65.1% from SAR4.9 million over the six-month period ended 30 June 2020G to SAR1.7 million over the six-month period ended 30 June 2021G no bonuses were paid over the same period to the committees' members. The underlying provisions for attendance allowance and committees' remuneration are expected to be recorded at year-end.

Information technology expenses

Information technology expenses represent IT support services such as subscription, software maintenance and licenses renewal for the technology platforms used by the Group to manage its operations. Information technology expenses increased at a compound growth rate of 156.3% from SAR967 thousand in 2018G to SAR6.4 million in 2020G as a result of: (1) the increase in IT maintenance works in line with additions and implementation of new technologies by the Group, (2) the increase in the number of new licenses issued for SAP system in line with the increase in the number of employees, in addition to the renewal of information technology licenses for the Group, (3) several electronic designs and visuals expenses for Al Widyan project that were carried out during the development phase. The Group capitalizes the expenses of information technology under intangible assets.

Information technology expenses increased by 295.9% from SAR827 thousand over the six-month period ended 30 June 2020G to SAR3.3 million over the six-month period ended 30 June 2021G in line with the increase in the Group's information technology needs and IT license expenses relating to SAP, which provides Management with enhanced features and wider modules.

Depreciation

Depreciation expense decreased by 17.1% from SAR4.1 million in 2018G to SAR3.4 million in 2019G following the disposals of machinery and equipment amounting to SAR5.4m, in addition to the impairment of several assets, for which no depreciation expense was recorded over the same period.

Depreciation expense increased by 34.5% to SAR4.6 million in 2020G due to additions to the property and equipment amounting to SAR12.2 million mainly in connection with computers and machinery and equipment, in preparation for the new infrastructure projects for Al Falah Company and Diriyah Gate Development Authority over the same period.

Depreciation expense increased by 17.3% from SAR3.6 million over the six-month period ended 30 June 2020G to SAR4.3 million over the six-month period ended 30 June 2021G due to additions purchased amounting to SAR3.0 million, mainly machinery and equipment, following the expansion in the infrastructure activities over the same period.

Amortization of intangible assets

Amortization of intangible assets increased by 74.0% from SAR3.8 million in 2018G to SAR6.6 million in 2019G as a result of IT licenses costs erroneously recorded by the auditors in 2019G within amortisation of intangible assets instead of information technology expenses.

Amortization expenses decreased by 43.5% to SAR3.7 million in 2020G as a result of adjusting for the erroneously recorded expenses in 2019G, which accordingly resulted in a decrease in amortization expenses to a normal level in 2020G.

Amortization expenses amounted to SAR1.5 million over the six-month period ended 30 June 2021G.

Management and restructuring fees for Alinma Alakaria Real Estate Fund

Management and restructuring fees for Alinma Alakaria Real Estate Fund amounted to SAR28.1 million in 2019G, and represents a provision made by Management towards potential settlements for the Manager of the Real Estate Development Fund (Al-Inma Investment Bank), as the Group decided to terminate the fund. The Group paid only SAR10.0 million to the Real Estate Fund Manager subsequently, and accordingly the remaining balance of SAR18.8 million has been reversed by Management in 2019G under other income.

Provision for white idle land fee

Provision for white idle land fee represents provision for the idle lands in relation to the Ministry of Municipal, Rural Affairs and Housing Idle Lands Program, this program charges an annual fee for non-governmental white lands with sole or joint ownership amounting to 2.5% of the land value. Provision for white idle land fee amounted to SAR4.5 million in 2018G and increased to SAR17.2 million in 2019G as a result of the increase in claims and invoices submitted by the concerned government agencies, the provision then subsequently decreased to a nil balance in 2020G following the settlement of all the dues related to white idle lands during the same period.

Travel expenses

Travel expenses relate to the inbound and outbound travel expenses of administrative staff from and to the Kingdom of Saudi Arabia and amounted to SAR1.8 million in 2018G. These expenses were reclassified to other expenses in 2019G.

Utilities

Utilities expense includes water, electricity and air condition expenses incurred by the Group related to the maintenance of the buildings owed by the Group. Utilities expense amounted to SAR3.3 million in 2018G and were reclassified to other expenses in 2019G.

Short-term rental expenses

Short-term rental expenses amounted to SAR2.1 million in 2018G and related to the short-term rental expenses for the subsidiaries leasing units owned by Saudi Real Estate Company. It was not considered an expense in subsequent years given it was capitalised subsequently with the implementation of IFRS16. Some immaterial short-term rental expenses were reclassified under other expenses over the same period.

Table of Contents

Other

Other expenses mainly comprise of consumable expenses, general expenses, rent expenses, travel expenses, reversal of capitalized expenses and other miscellaneous expenses. Other expenses increased by 7.9% from SAR11.9 million in 2018G to SAR12.8 million in 2019G as a result of an increase in expenses for consumables by SAR4.8 million due to the increase in the consumption of materials by the Group's subsidiaries, partially offset by a decrease in other miscellaneous expenses following the decrease in other general expenses over the same period.

Other expenses decreased by 4.9% to SAR12.2 million in 2020G as a result of the decrease in consumables expenses by SAR4.7 million due to the decrease in the need of such materials. This was partially offset by a reversal of capitalized costs in relation to Al Widyan project amounting to SAR5.1 million, following the government's decision to stop the development of Al Widyan land over the same period.

Other expenses increased by 25.8% from SAR7.1 million over the six-month period ended 30 June 2020G to SAR8.9 million over the six-month period ended 30 June 2021G as a result of an increase in general expenses by SAR2.6 million due to settlements made to some contractual employees of Al Widyan Saudi Real State Company. This was partially offset by a reversal of capitalized costs in relation to Al Widyan project with a total amount of SAR2.0 million over the six-month period ended 30 June 2020G, as a result of the reversal of capitalized costs in relation to Al Widyan project in 2020G.

5.7.1.7 Selling and marketing expenses

Table No. (29): Selling and marketing expenses for the financial years ended 31 December 2018G, 2019G and 2020G, and the six-month period ended 30 June 2020G and 2021G

SAR in 000s	2018G Audited	2019G Audited	2020G Audited	Variance 2018G -2019G	Variance 2019G -2020G	CAGR 2018G -2020G	Six-month period ended 30 June 2020G (Management Information)	Six-month period ended 30 June 2021G (Management Information)	Variance 2020G-2021G
Expected credit losses	15,226	12,878	23,144	(15.4%)	79.7%	23.3%	7,315	14,837	102.8%
Sales commission	-	-	13,671	-	-	-	-		-
Employees' salaries, wages and other related benefits	3,862	7,577	11,203	96.2%	47.9%	70.3%	5,830	6,247	7.2%
Promotions and advertisement	2,879	23,283	3,132	708.7%	(86.5%)	4.3%	207	4,318	1986.0%
Others	2,180	1,408	1,481	(35.4%)	5.2%	(17.6%)	588	1,037	76.4%
Total	**24,147**	**45,146**	**52,631**	**87.0%**	**16.6%**	**47.6%**	**13,940**	**26,439**	**89.7%**
Headcount	**22**	**15**	**35**	**(7)**	**20**	**23**	**23**	**38**	**15**
As % of revenue									
Expected credit losses	5.1%	3.8%	4.6%	(1.3)	0.8	(0.5)	3.8%	4.3%	0.5
Sales commission	-	-	2.7%	-	2.7	2.7	-	-	-
Employees' salaries, wages and other related benefits	1.3%	2.2%	2.2%	0.9	-	0.9	3.0%	1.8%	(1.2)
Promotions and advertisement	1.0%	6.9%	0.6%	5.9	(6.3)	(0.3)	0.1%	1.2%	1.1
Others	0.7%	0.4%	0.3%	(0.3)	(0.1)	(0.4)	0.3%	0.3%	-
Total	**8.1%**	**13.4%**	**10.5%**	**5.2**	**(2.8)**	**2.4**	**7.2%**	**7.7%**	**0.5**

Source: Audited financial statements for the financial year ended 31 December 2018G, 2019G and 2020G, and management information

Expected credit losses

Expected credit losses represents additional provisions recorded on expected credit losses on trade receivables, as a result of the Group implementing International Financial Reporting Standards 9 ("IFRS 9") using the simplified approach, whereby the Group recognizes a loss allowance based on the lifetime expected credit losses at each reporting date from the date of the trade receivable. Expected credit losses decreased by 15.4% from SAR15.2 million in 2018G to SAR12.9 million in 2019G in line with the decrease in total trade receivables outstanding for more than two years, as some of these receivable balances were written-off in 2018G. The expected credit losses increased by 79.7% to SAR23.1 million in 2020G as a result of a more conservative provisioning policy implemented by the Group in the second quarter in 2020G onwards, to mitigate the risk of collecting receivables from customers due to COVID-19 pandemic.

Expected credit losses increased by 102.8% from SAR7.3 million over the six-month period ended 30 June 2020G to SAR14.8 million over the six-month period ended 30 June 2021G as a result of a more conservative provisioning policy implemented by the Group to mitigate the risk of collecting receivables from customers due to COVID-19 pandemic.

Sales commission

Sales commission represents commission to sales representatives, brokers, and agents in connection with Remal Al Dahia residential project, which started selling its units off-plan sales in 2020G. Sales commission amounted to SAR13.7 million in 2020G.

Employees' salaries, wages, and other related benefits

Employees' salaries, wages, and other related benefits mainly comprised basic salary for employees, housing, and transportation allowance, in addition to bonuses and other employee costs. Employees' salaries, wages, and other related benefits increased at a compound growth rate of 47.9% from SAR3.9 million in 2018G to SAR7.6 million in 2019G as a result of the increase in the number of employees by around 23 employees, following the recruitment of new experienced employees with relatively higher compensation packages as compared to the remaining employees within the Group, to expand the sales and marketing department of the Group over the same period.

Employees' salaries, wages, and other related benefits increased by 7.2% from SAR5.8 million over the six-month period ended 30 June 2020G to SAR6.2 million over the six-month period ended 30 June 2021G, due to the increase in the number of employees by around 15 employees over the same period.

Promotions and advertisement

Promotions and advertisement expenses increased by 708.7% from SAR2.9 million in 2018G to SAR23.3 million in 2019G. This is mainly due to the increase in promotions and advertisement costs for Al Widyan residential project in Al Widyan area, located in the north of Riyadh. It is worth noting that the Group incurred relatively high campaign costs on Al-Widyan residential project following management's strategic and commercial plan to create an identity for this large residential project and attract customers, as the project area reached 7 million square meters, and is located within 20 minutes the city center of Riyadh (please refer to investment properties section).

Promotions and advertisement expenses decreased by 86.5% to SAR3.1 million in 2020G as a result of the drop in marketing costs incurred on Al Widyan project, following the change in the business strategy implemented by the Group on the development of Al-Widyan project.

Advertising and marketing expenses increased by 1986.0% from SAR207 thousand over the six-month period ended 30 June 2020G to SAR4.3 million over the six-month period ended 30 June 2021G as a result of the increase in advertising and marketing campaigns on social media for Al Dahia project over the same period.

Others

Other expenses represent mainly security expense for construction and infrastructure projects, consulting expenses, in addition to other selling and marketing expenses. Other expenses decreased by 35.4% from SAR2.2 million in 2018G to SAR1.4 million in 2019G and 2020G as a result of the decrease in security expense by SAR758 thousand since certain projects were completed by the Group and security was no longer required at such project sites.

Other expenses increased by 76.4% from SAR588 thousand over the six-month period ended 30 June 2020G to SAR1.0 million over the six-month period ended 30 June 2021G as a result of an increase in consulting expenses by SAR501 thousand in relation to market studies for Al Dahiya project over the same period.

5.7.1.8 Financial charges

Table No. (30): Financial charges for the financial years ended 31 December 2018G, 2019G and 2020G, and the six-month period ended 30 June 2020G and 2021G

SAR in 000s	2018G Audited	2019G Audited	2020G Audited	Variance 2018G -2019G	Variance 2019G -2020G	CAGR 2018G -2020G	Six-month period ended 30 June 2020G (Management Information)	Six-month period ended 30 June 2021G (Management Information)	Variance 2020G-2021G
Bank loan	38,411	38,932	12,635	1.4%	(67.5%)	(42.6%)	6,056	25,319	318.1%
Finance cost on lease liabilities	-	4,466	4,659	-	4.3%	-	2,277	2,423	6.4%
Derivatives	10,782	1,427	-	(86.8%)	-	-	-	-	-
Total	49,193	44,825	17,294	(8.9%)	(61.4%)	(40.7%)	8,333	27,742	232.9%

Source: Audited financial statements for the financial years ended 31 December 2018G, 2019G and 2020G, and management information

Bank loans

Bank loan financial charges slightly increased by 1.4% from SAR38.4 million in 2018G to SAR38.9 million in 2019G in line with the increase in the SIBOR rate over the same period.

Bank loan financial charges decreased by 67.5% to SAR12.6 million in 2020G, due to rescheduling the loans with Saudi National Bank, due to the change in the business strategy implemented by Management in connection with the development of Al-Widyan Project over the same period.

Bank loan financial charges increased by 318.1% from SAR6.1 million over the six-month period ended 30 June 2020G to SAR25.3 million over the six-month period ended 30 June 2021G, as the Group stopped capitalizing financial charges incurred on Saudi National Bank loan, in relation to Al Widyan project, due to the change in the business strategy implemented by Management in connection with the development of Al-Widyan Project over the same period.

Finance cost on lease liabilities

Finance cost on lease liabilities relate to the interest expense paid on the lease commitments following the implementation of IFRS16 in 2019G. Finance cost on lease liabilities increased by 4.3% from SAR4.5 million in 2019G to SAR4.7 million in 2020G.

Finance cost on lease liabilities remained relatively stable at SAR 2.4 million over the six-month period ended 30 June 2020G and the six-month period ended 30 June 2021G.

Derivatives

Financial charges on derivatives relate to the financial charges resulting from the acquisition of derivatives financial instruments designated at fair value through profit or loss of a floating rate loan portfolio whose risk is covered economically by hedging against interest rate fluctuations on one of its derivative loans where the financial instrument is derived at the SIBOR rate.

Financial charges on derivatives decreased by 86.8% from SAR10.8 million in 2018G to SAR1.4 million in 2019G in line with the change in the SIBOR rate and given that the Group stopped trading financial derivatives over the same period.

5.7.1.9 Other income

Table No. (31): Other income for the financial years ended 31 December 2018G, 2019G and 2020G, and the six-month period ended 30 June 2020G and 2021G

SAR in 000s	2018G Audited	2019G Audited	2020G Audited	Variance 2018G -2019G	Variance 2019G -2020G	CAGR 2018G -2020G	Six-month period ended 30 June 2020G (Management Information)	Six-month period ended 30 June 2021G (Management Information)	Variance 2020G-2021G
Gain on disposal of lands	-	-	44,316	-	-	-	-	-	-
Reversal of fund's management fees accrued no longer required	-	-	18,847	-	-	-	-	-	-
Finance income	-	1,672	681	-	(59.3%)	-	-	-	-
Other estate revenue	-	1,064	655	-	(38.4%)	-	-	-	-
Dividend income from an investment	-	-	-	-		-	6,014	6,279	4.4%
Gain on sale of an investment	-	-	-	-	-	-	-	3,617	-
Provision release	1,506	-	-	(100.0%)	-	-	-	-	-
Others	-	1,892	1,806	-	(4.5%)	-	237	5,052	2031.6%
Total	**1,506**	**4,628**	**66,305**	**207.3%**	**1332.7%**	**563.5%**	**6,251**	**14,948**	**139.1%**

Source: Audited financial statements for the financial years ended 31 December 2018G, 2019G and 2020G, and management information

Gain on disposal of lands

Gain on disposal of lands resulted from the sale of lands with a carrying value of SAR9.3 million, at an amount of SAR53.0 million, which resulted in a gain on sale of land of SAR44.3 million in 2020G.

Reversal of fund's management fees accrued no longer required

Reversal of fund's management fees accrued no longer required amounted to SAR18.8 million in 2020G, as the Group have agreed with the Fund Manager of Alinma Alakaria Real Estate Fund (Al-Inma Investment Bank) to waive off management fees previously accrued on liquidation of the fund. The fund is currently under liquidation and the legal proceeding to liquidate the fund are not complete.

Finance income

Finance income relates to finance income on the Group's short-term deposits and Murabaha deposits in banks. Finance income amounted to SAR 1.7 million and SAR 681 thousand in 2019G and 2020G, respectively.

Other real estate revenue

Other real estate revenue relates to maintenance revenue generated from tenants in commercial and residential properties. Other real estate revenue amounted to SAR1.1 million and SAR655 thousand in 2019G and 2020G, respectively.

Dividend income from investment

Dividend income denotes dividend received on various investments by the Group mainly in connection with Economic Knowledge City, Um Al Qura Development Company, Dar Al Tamleek and Kinan International for Real Estate Development Company. Dividend income from investment amounted to SAR6.0 million and SAR6.3 million over the six-month period ended 30 June 2020G and over the six-month period ended 30 June 2021G, respectively.

Gain on sale of an investment

Gains on sale of an investment amounted to SAR3.6 million over the six-month period ended 30 June 2021G, as the Group sold all its shares in Alakaria Hanmi Company.

Release of provision for slow moving inventory

Release of provision for slow moving inventory amounted to SAR1.5 million in 2018G, and relates to the release of a provision previously recorded by the Group but no longer required, according to management's latest estimates of provision on slow moving inventory over the same period.

Others

Others mainly relate to maintenance and repair income, income generated from the parking of the buildings owed by the Group, and other income generated from the sale of property and equipment and other miscellaneous income. Other income amounted to SAR1.9 million in 2019G and 2020G, SAR237 thousand over the six-month period ended 30 June 2020G, and SAR5.1 million over the six-month period ended 30 June 2021G.

Balance Sheet

Table No. (32): Statement of financial position as at 31 December 2018G, 2019G, 2020G and 30 June 2021G

SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 June 2021G Reviewed
Non-current assets				
Property and equipment	61,705	52,633	35,078	28,861
Investment properties	5,756,727	5,986,655	6,032,906	6,116,275
Intangible assets	11,713	13,830	11,401	9,355
Investment in an associate	235,657	243,141	252,663	249,907
Investments in equity instruments designated at FVOCI	403,248	384,722	281,636	355,164
Investments designated at FVPL	270,838	57,109	66,755	66,755
Right-of-use assets	-	74,529	73,146	72,462
Total non-current assets	6,739,888	6,812,619	6,753,585	6,898,779
Current assets				
Derivatives	2,369	-	-	-
Trade receivables	88,763	96,987	146,298	217,500
Prepayments and other receivables	172,632	98,946	103,667	196,293
Inventories	6,059	6,022	5,824	4,203
Cash and cash equivalents	331,724	184,480	523,319	168,848
Total current assets	601,547	386,435	779,108	586,844
Assets held for sale	-	-	5,844	-
Total assets	7,341,435	7,199,054	7,538,537	7,485,623

SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 June 2021G Reviewed
Equity and liabilities				
Equity				
Share capital	2,400,000	2,400,000	2,400,000	2,400,000
Statutory reserve	720,000	720,000	720,000	720,000
Contractual reserve	10,051	10,051	10,051	10,051
Accumulated losses	27,308	(159,043)	(262,914)	(314,050)
Other reserves	3,858	(2,228)	(6,125)	68,204
Equity attributable to equity holders of the parent company	**3,161,217**	**2,968,780**	**2,861,012**	**2,884,205**
Non-controlling interests	9,642	(2,491)	(21,744)	25,715
Total equity	**3,170,859**	**2,966,289**	**2,839,268**	**2,909,920**
Non-current liabilities				
Term loans	644,134	645,411	516,687	387,345
Loan from a related party	680,249	-	1,301,636	1,243,390
Employees' defined benefit obligations	18,426	22,629	25,392	22,582
Lease liabilities	-	75,834	71,030	73,453
Total non-current liabilities	**1,342,809**	**743,874**	**1,914,745**	**1,726,770**
Current liabilities				
Trade payables	86,633	91,068	92,264	87,671
Accruals and other liabilities	101,429	169,725	220,714	244,755
Unearned revenue	139,897	103,537	108,337	162,125
Term loans-current portion	2,130,797	2,074,077	2,294,262	2,228,038
Loan from a related party -current portion	328,401	1,102,647	-	74,388
Zakat provision	40,610	37,837	56,608	51,956
Total current liabilities	**2,827,767**	**3,488,891**	**2,772,185**	**2,848,933**
Liabilities directly associated with the assets held for sale	-	-	12,340	-
Total liabilities	**4,170,576**	**4,232,765**	**4,699,270**	**4,575,703**
Total equity and liabilities	**7,341,435**	**7,199,054**	**7,538,538**	**7,485,623**
Key performance indicators				
Average days of accounts receivable (days)	176	143	129	135
Average days of inventory (day)	20	12	6	4
Average accounts payable days (Day)	187	195	93	69
Cash turnover rate	8	(38)	42	69
Return on assets	(2.7%)	(2.8%)	(2.1%)	(0.0%)
Return on equity	(6.2%)	(6.7%)	(5.6%)	(0.0%)

Source: Audited financial statements for the financial years ended 31 December 2018G, 2019G and 2020G, and the reviewed financial statements for the six-month period ended 30 June 2021G

Assets

Current assets

Current assets decreased from SAR601.5 million as at 31 December 2018G to SAR386.4 million as at 31 December 2019G as a result of the decrease in cash and cash equivalents from SAR331.7 million to SAR184.5 million in line with the purchases of investment properties (+SAR385.9 million) over the same period, in addition to the decrease in prepayments and other receivables from SAR172.6 million to SAR98.9 million over the same period following Management's decision to terminate the Real Estate Development Fund, as Management considered it is no longer feasible for the Group to continue with this Fund due to its legal status and due to the location of its projects.

Current assets increased from SAR386.4 million as at 31 December 2019G to SAR779.1 million as at 31 December 2020G as a result of the increase in cash and cash equivalents from SAR184.5 million to SAR523.3 million mostly driven by loans from related parties with a total amount of SAR289.0 million and long term loans amounting to SAR91.5 million over the same period, in addition to the increase in trade receivables from SAR97.0 million to SAR146.3 million following the new facility management contract signed with Al Rajhi Takaful, in addition to the renewal of other facility management contracts at higher prices due to providing additional services to customers.

Current assets decreased from SAR779.1 million as at 31 December 2020G to SAR586.8 million as at 30 June 2021G as a result of the decrease in cash and cash equivalents from SAR523.3 million to SAR168.8 million due to the repayment of long and short-term loans with a total amount of SAR195.6 million, coupled with additions to investment properties of SAR77.0 million over the same period.

Non-current assets

Non-current assets increased from SAR6,739.9 million as at 31 December 2018G to SAR6,812.6 million as at 31 December 2019G as a result of the increase in investment properties (+SAR229.9 million) due to additions in CWIP related to Narjes Residential (La Casa), slightly offset by an increase in right of use assets (+SAR74.5 million) due to the adoption of IFRS16 in 2019G whereby leases are recognized as right-of-use assets with the corresponding lease liabilities at the commencement date of the leases by the Group.

Non-current assets decreased from SAR6,812.6 million as at 31 December 2019G to SAR6,753.6 million as at 31 December 2020G as a result of the decrease in investments in equity instruments designated at FVOIC (-SAR103.1 million) due to the disposal of shares in Hail Cement Company.

Non-current assets increased from SAR6,753.6 million as at 31 December 2020G to SAR6,898.8 as at 30 June 2021G following the additions to the investment properties (+SAR83.4 million) mainly to CWIP related to Al Dahia residential Project.

Liabilities and equity

Liabilities

Current liabilities

Current liabilities increased from SAR2,827.8 million as at 31 December 2018G to SAR3,488.9 million as at 31 December 2019G as a result of the increase in the loans from related parties (+SAR684.2 million) given that the Group did not settle its loan repayments, in addition to accumulated penalties on past due instalments with a total amount of SAR17.6 million, this was partially offset by an increase in accruals and other liabilities amounting to SAR68.3million over the same period.

Current liabilities decreased from SAR3,488.9 million as at 31 December 2019G to SAR2,772.2 million as at 31 December 2020G as a result of the decrease in loans from related parties (-SAR1,012.6) during the period due to rescheduling the loans from related parties with the first instalment due in 1 January 2022G and the last instalment due in July 2029G.

Current liabilities increased from SAR2,772.2 million as at 31 December 2020G to SAR2,848.9 million as at 30 June 2021G, as a result of the increase in the current portion of loans from related parties (+SAR74.4 million) over the same period due to a settlement of repayment, in addition to an increase in unearned revenue (+SAR51.0 million) over the same period.

Non-current liabilities

Non-current liabilities decreased from SAR1,342.8 million as at 31 December 2018G to SAR743.9 million as at 31 December 2019G as a result of the decrease in loans to related parties (-SAR680.2 million) over the same period, due to rescheduling of the non-current portion of these loans related to the Public Investment Fund.

Non-current liabilities increased from SAR743.9 million as at 31 December 2019G to SAR1,914.7 million as at 31 December 2020G as a result of the increase in loans from related parties (+SAR1,301.2 million) over the same period, due to rescheduling the non-current portion of these loans related to the Public Investment Fund.

Non-current liabilities decreased from SAR1,914.7 million as at 31 December 2020G to SAR1,726.8 million as at 30 June 2021G as a result of the decrease in the long-term loans from SAR516.7 million to SAR387.3 million, due to the settlement of the loan repayments amounting to SAR130.0 million over the same period.

Equity

Total equity decreased from SAR3,170.9 million as at 31 December 2018G to SAR2,966.3 million as at 31 December 2019G as a result of the increase in accumulated losses (-SAR186.4 million) over the same period, in addition to the decrease in other reserves (-SAR6.1 million) and non-controlling interests (-SAR12.1 million) over the same period.

Total equity decreased further to SAR2,839.3 million as at 31 December 2020G as a result of the increase in accumulated losses (-SAR103.9 million), in addition to the decrease in other reserves (-SAR3.9 million) and non-controlling interests (-SAR19.3 million) over the same period.

Total equity increased from SAR2,839.3 million as at 31 December 2020G to SAR2,909.9 million as at 30 June 2021G as a result of the increase in non-controlling interests (+SAR47.5 million), offset by the increase in accumulated losses (-SAR51.1 million) and other reserves (+SAR43.3 million) over the same period.

5.7.1.10 Non-current assets

Table No. (33): Non-current assets as at 31 December 2018G, 2019G, 2020G and 30 June 2021G

SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 June 2021G Reviewed
Property and equipment	61,705	52,633	35,078	28,861
Investment properties	5,756,727	5,986,655	6,032,906	6,116,275
Intangible assets	11,713	13,830	11,401	9,355
Investment in an associate	235,657	243,141	252,663	249,907
Investments in equity instruments designated at FVOCI	403,248	384,722	281,636	355,164
Investments designated at FVPL	270,838	57,109	66,755	66,755
Right-of-use assets	-	74,529	73,146	72,462
Total non-current assets	6,739,888	6,812,619	6,753,585	6,898,779

Source: Audited financial statements for the financial years ended 31 December 2018G, 2019G and 2020G, and the reviewed financial statements for the six-month period ended 30 June 2021G

Table No. (34): Property and equipment as at 31 December 2018G, 2019G, 2020G and 30 June 2021G

SAR in 000s	Buildings	Machinery & Equipment	Furniture & Decorations	Computers	Vehicles	Capital work-in-progress	Total
Cost							
At 31 December 2018G	10,482	92,840	14,521	10,095	7,963	440	136,341
Additions	8	6,158	2,143	2,151	1,713	-	12,173
Disposals	-	(2,896)	(924)	(130)	(970)	(440)	(5,360)
Reclassification	-	(1,677)	1,677	-	-	-	-
At 31 December 2019G	10,490	94,425	17,417	12,116	8,706	-	143,154
Additions	-	7,964	141	1,022	74	-	9,201
Disposals	-	(289)	(81)	(601)	(321)	-	(1,292)
Assets held for sale	-	(89)	(1,152)	(453)	-	-	(1,694)
At 31 December 2020G	10,490	102,011	16,325	12,084	8,459	-	149,369

SAR in 000s	Buildings	Machinery & Equipment	Furniture & Decorations	Computers	Vehicles	Capital work-in-progress	Total
Additions	-	2,189	20	821	-	-	3,030
Disposals	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
At 30 June 2021G	10,490	104,200	16,345	12,905	8,459	-	152,399
Depreciation and impairment							
At 31 December 2018G	7,277	45,618	10,629	5,583	5,529	-	74,636
Charge for the year	505	13,750	2,004	1,913	1,374	-	19,546
Relating to disposals	-	(2,809)	(276)	(28)	(548)	-	(3,661)
At 31 December 2019G	7,782	56,559	12,357	7,468	6,355	-	90,521
Charge for the year	223	14,949	1,771	1,947	1,170	-	20,060
Impairment	-	5,755	-	-	-	-	5,755
Relating to disposals	-	(217)	(71)	(601)	-	-	(1,209)
Assets held for sale	-	(38)	(599)	(199)	-	-	(836)
At 31 December 2020G	8,005	77,008	13,458	8,615	7,205	-	114,291
Additions	111	6,908	619	971	636	-	9,246
Disposals	-	-	-	-	-	-	-
At 30 June 2021G	8,116	83,916	14,077	9,586	7,841	-	123,537
Net book value							
At 31 December 2018G	3,205	47,222	3,892	4,512	2,434	440	61,705
At 31 December 2019G	2,708	37,866	5,060	4,648	2,351	-	52,633
At 31 December 2020G	2,485	25,003	2,867	3,469	1,254	-	35,078
At 30 June 2021G	2,374	20,284	2,286	3,319	618	-	28,861

Source: Audited financial statements for the financial years ended 31 December 2018G, 2019G and 2020G, management information

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation expense is calculated on a straight-line basis and by category. The net book value of property and equipment amounted to SAR28.9 million as at 30 June 2021G and included mainly machinery and equipment (SAR20.3 million) and computers (SAR3.3 million), together representing 82% of the total net book value of property and equipment.

Buildings

Buildings represent the residential building located in the north of Riyadh, in Banban area for the workers of the Group and its subsidiaries. The net book value of buildings decreased from SAR3.2 million as at 31 December 2018G to SAR2.7 million as at 31 December 2019G as a result of annual depreciation charges amounting to SAR505 thousand, partially offset by additions amounting to SAR8 thousand over the same period.

The net book value of buildings decreased to SAR2.5 million as at 31 December 2020G as a result of annual depreciation charges amounting to SAR223 thousand over the same period.

The net book value of buildings decreased from SAR2.5 million as at 31 December 2020G to SAR2.4 million as at 30 June 2021G as a result of depreciation charges amounting to SAR111 thousand over the same period.

Machinery and equipment

Machinery and equipment represent the equipment required for the Group's operations, namely the construction and infrastructure services. The net book value of machinery and equipment decreased from SAR47.2 million as at 31 December 2018G to SAR37.9 million as at 31 December 2019G as result of the annual depreciation charges amounting to SAR13.8 million and reclassification of buildings worth SAR1.7 million to furniture and decorations, in addition to equipment disposals

Table of Contents

amounting to SAR2.8 million, this was partially offset by additions relating to the equipment of the mobile offices of Al Widyan project, and to the transportation equipment related to the construction projects of Tameer with amounting to SAR6.2 million over the same period.

The net book value of machinery and equipment decreased to SAR25.0 million as at 31 December 2020G as a result of annual depreciation charges amounting to SAR14.9 million over the same period, in addition to the impairment in the value of machinery and equipment by SAR5.8 million due to its diminishing quality, this was partially offset by additions relating to machinery and equipment for infrastructure projects (electricity generators and topography equipment) for Binyah with a total amount of SAR8.0 million over the same period.

The net book value of machinery and equipment decreased from SAR25.0 million as at 31 December 2020G to SAR20.3 million as at 30 June 2021G as a result of depreciation charges amounting to SAR6.9 million. This was partially offset by additions related to cleaning equipment and vacuum cleaners for Mumtalakat, and topography equipment and electricity generators for Binyah with a total amount of SAR2.2 million over the same period.

Furniture and decoration

The net book value of furniture and decoration increased from SAR3.9 million as at 31 December 2018G to SAR5.1 million as at 31 December 2019G as a result of additions amounting to SAR2.1 million related to furnishing the headquarters of Al Widyan Saudi Real Estate Company, in addition to reclassification of balances recorded within buildings amounting to SAR1.7 million to furniture and decoration, this was partly offset by annual depreciation charges of SAR2.0 million over the same period.

The net book value of furniture and decoration decreased to SAR2.9 million as at 31 December 2020G as a result of annual depreciation charges amounting to SAR1.8 million, and assets held for sale amounting to SAR1.2 million related to Hanmi for Project Management over the same period.

The net book value of furniture and decoration slightly decreased from SAR2.9 million as at 31 December 2020G to SAR2.3 million as at 30 June 2021G due to depreciation charges amounting to SAR619 thousand, partially offset by additions purchased over the same period for SAR20 thousand.

Computers

Computers represent the hardware, software, and applications used by the employees. The net book value of computers slightly increased from SAR4.5 million as at 31 December 2018G to SAR4.6 million as at 31 December 2019G following the purchases made amounting to SAR2.2 million, offset by annual depreciation charges amounting to SAR1.9 million and disposals amounting to SAR130 thousand over the same period.

The net book value of computers decreased to SAR3.5 million as at 31 December 2020G as a result of annual depreciation charges amounting to SAR1.9 million and disposals amounting to SAR601 thousand, partially offset by additions amounting to SAR1.0 million over the same period.

The net book value of computers decreased from SAR3.5 million as at 31 December 2020G to SAR3.3 million as at 30 June 2021G due to depreciation charges amounting to SAR971 thousand over the same period.

Vehicles

Vehicles represent the Group's private vehicles used for employees' transportation during working hours. The net book value of vehicles decreased from SAR2.4 million as at 31 December 2018G to SAR2.3 million as at 31 December 2019G as a result of annual depreciation charges amounting to SAR1.4 million and disposals amounting to SAR970 thousand as a result of endowing vehicles to some retired employees as end-of-service, this was partly offset by additions relating to the purchase of a new vehicle to the CEO of Tameer and three trucks for Tameer as well, and four vehicles for Mumtalakat as a result of establishing the company with a value of SAR1.7 million over the same period.

The net book value of vehicles decreased to SAR1.3 million as at 31 December 2020G as a result of annual depreciation charges amounting to SAR1.2 million and disposals amounting to SAR321 thousand, this was partly offset by additions amounting to SAR74 thousand over the same period.

The net book value of vehicles decreased from SAR1.3 million as at 31 December 2020G to SAR618 thousand as at 30 June 2021G as a result of depreciation charges amounting to SAR636 thousand over the same period.

Capital work-in-progress

Capital work-in-progress relate to the SAP system used to develop the software of the Group to manage the business operations. The net book value of capital work-in-progress decreased from SAR440 thousand as at 31 December 2018G to nil as at 31 December 2019G as a result of the reclassifications recorded to non-current assets.

Table No. (35): Investment properties as at 31 December 2018G, 2019G, 2020G and 30 June 2021G

SAR in 000s	Lands	Buildings	Fittings & decorations	Capital work-in-progress	Total
Cost					
At 31 December 2018G	3,424,167	1,504,695	522,871	1,114,012	6,565,745
Additions	-	-	568	385,339	385,907
Disposals	-	-	(364)	(13,328)	(13,328)
Write-off of capital work-in- progress	-	-	-	(63,135)	(63,135)
Reclassification	-	(63,800)	63,800	-	-
At 31 December 2019G	3,424,167	1,440,895	586,875	1,422,888	6,874,825
Additions	-	-	3,863	184,636	188,499
Disposals	(9,295)	-	-	-	(9,295)
Write-off of capital work-in- progress	-	52,643	85,597	(138,240)	-
At 31 December 2020G	3,414,872	1,493,538	676,335	1,469,284	7,054,029
Additions	-	-	3,356	116,736	120,092
Disposals	-	(190)	-	(3,889)	(4,079)
Write-off of capital work-in- progress	-	-	4,157	(4,157)	-
At 30 June 2021G	3,414,872	1,493,348	683,848	1,577,974	7,170,042
Depreciation and impairment					
At 31 December 2018G	-	518,361	290,657	-	809,018
Charge for the year	-	28,852	15,940	-	44,792
Impairment	20,400	-	-	13,977	34,377
Relating to disposals	-	-	(17)	-	(17)
Reclassification	-	(14,863)	14,863	-	-
At 31 December 2019G	20,400	532,350	321,443	13,977	888,170
Charge for the year	-	29,310	20,945	-	50,255
Impairment	-	6,305	-	76,393	82,698
Write-off of capital work-in- progress	-	13,977	-	(13,977)	-
At 31 December 2020G	20,400	581,942	342,388	76,393	1,021,123
Additions	-	14,870	10,858	7,072	32,800
Disposals	-	-	-	(156)	(156)
Write-off of capital work-in- progress	-	-	-	-	-
At 30 June 2021G	20,400	596,812	353,246	83,309	1,053,767
Net Book value					
At 31 December 2018G	3,424,167	986,334	232,214	1,114,012	5,756,727
At 31 December 2019G	3,403,767	908,545	265,432	1,408,911	5,986,655
At 31 December 2020G	3,394,472	911,596	333,947	1,392,891	6,032,906
At 30 June 2021G	3,394,472	896,536	330,602	1,494,665	6,116,275

Source: Audited financial statements for the financial years ended 31 December 2018G, 2019G and 2020G, and the reviewed financial statements for the six-month period ended 30 June 2021G

Table of Contents

Lands

Lands relate to the real estate investment lands owned by the Group with the intention of developing, renting, or reselling them in various cities in the Kingdom of Saudi Arabia. The net book value of lands decreased from SAR3,424.2 as at 31 December 2018G to SAR3,403.8 as at 31 December 2019G in line with the significant accounting policies adopted, real estate investment properties are stated at cost net of the accumulated depreciation and impairment. The fair value of investment properties amounted to SAR10.1 billion as at 31 December 2020G (SAR10.0 billion as at 31 December 2019G), according to the valuation carried out by several experts namely Century 21, Rawaj Real Estate, and other independent valuers accredited by Saudi Authority for Accredited Valuers. Based on these valuations performed, the value of lands declined by SAR20.4 million over the same period.

The net book value of lands decreased to SAR3,394.5 million as at 31 December 2020G, as the Group disposed lands having a carrying value of SAR9.3m with a total amount of SAR53 million, and thus recognised a gain on disposal of land of SAR44.3m in Qurtuba over the same period.

Certain land parcels owned by the Group 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 others related to the fact that they are under study from specialised committees to resolve these matters. Management was in the process of communicating with the related Government agencies and committees to address the reasons to allow the use of these lands. The impact on the net realisable value of these lands was still uncertain and dependent on the final results of the study by the assigned committees. The carrying value of these lands amounted to SAR417 million as at 30 June 2021G (SAR417 million as at 31 December 2019G and 2020G).

Subsequent to the year ended 31 December 2020G, it came to Management's attention that the land of Al Widyan project was located within an area that was 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 consolidated financial statements of the Group. The carrying value of the related land and capital work-in-progress relating to Al Widyan residential project amounted to SAR2,168 million and SAR829 million respectively as at 31 December 2020G (SAR2,168 million and SAR790 million respectively as at 31 December 2019G).

Lands include lands with a carrying value amounting to SAR2.0 billion as at 30 June 2021G that have been secured as mortgage for an Islamic loan from a local bank.

Buildings

Buildings relate to the investment buildings that the Company leases to several clients. The net book value of buildings decreased from SAR986.3 million as at 31 December 2018G to SAR908.5 million as at 31 December 2019G as a result of annual depreciation charges amounting to SAR28.9 million, partly offset by the reclassification of buildings with a value of SAR63.8 million from buildings to fittings and decorations, as a result of some improvements and furniture that the committees reclassified in connection the development and furnishing of investment buildings over the same period.

The net book value of buildings increased to SAR911.6 million as at 31 December 2020G as a result of the transfer of funds from capital work-in progress with an amount of SAR52.6 million related to the construction of Narjes residential Project in Riyadh over the same period. This was slightly offset by annual depreciation charges amounting to SAR29.3 million over the same period.

The net book value of buildings decreased from SAR911.6 million as at 31 December 2020G to SAR896.5 million as at 30 June 2021G as a result of annual depreciation charges amounting to SAR14.9 million over the same period.

Investment properties include buildings with net book value amounting SAR626 million as at 31 December 2020G (SAR639 million as at 31 December 2019G) constructed on a land leased from the High Commission for the Development of Riyadh under long-term two contracts for 99-years and 50-years starting from 7 January 1993G and 6 July 2009G, respectively, based on beneficial right, which will be transferred to the Authority at the end of the contract's period.

Fittings and decorations

Fittings and decorations items in connection with the Group's buildings and investment properties. The net book value of fittings and decorations increased from SAR232.2 million as at 31 December 2018G to SAR265.4 million as at 31 December 2019G due to the reclassification of buildings amounting to SAR63.8 million to fittings and decorations, coupled with additions amounting to SAR568 thousand. This was partially offset by the annual depreciation charges amounting to SAR15.9 million over the same period.

The net book value of fittings and decorations increased to SAR333.9 million as at 31 December 2020G as a result of transfers from capital work-in progress amounting to SAR85.6 million related to the construction of Narjes residential project in Riyadh and additions amounting to SAR3.9 million over the same period. This was slightly offset by annual depreciation charges amounting to SAR20.9 million over the same period.

The net book value of fittings and decorations decreased from SAR333.9 million as at 31 December 2020G to SAR330.6 million as at 30 June 2021G as a result of annual depreciation charges amounting to SAR10.9 million. This was offset by additions amounting to SAR3.4 million over the same period.

Capital work-in-progress

Capital work-in-progress relate to various projects under progress for the Group. The net book value of capital works-in-progress increased from SAR1,114.0 million as at 31 December 2018G to SAR1,408.9 million as at 31 December 2019G as a result of the significant accounting policies adopted, real estate investment properties are stated at cost net of the accumulated depreciation and impairment. The fair value of investment properties amounted to SAR10.1 billion as at 31 December 2020G (SAR10.0 billion as at 31 December 2019G), this is according to the valuation carried out by several experts namely Century 21, Rawaj Real Estate, and other independent valuers accredited by the Saudi Authority for Accredited Valuers.

Based on the valuation studies conducted, the value of the lands and capital work-in-progress decreased by SAR6.3 million and SAR71.7 million, respectively, over the same period (SAR20.4 million and SAR14.0 million, respectively, as at 31 December 2019G). Total additions amounting to SAR385.3 million were mainly in connection with Narjes Residential (La Casa), Remal Residential (Al Dahia Project) and Al Widyan Project. This was partly offset by the write-offs on CWIP amounting to SAR63.1 million following the reassessment exercise conducted by Management in 2019G to assess the economic feasibility of the hospitality projects, whereby Management decided that certain projects are no longer economically viable. One of the hospitality projects with a carrying value of SAR7.3 million was cancelled in 2019G following the issuance of governmental orders to stop the development of some lands located in the North of Riyadh, and accordingly, capital work-in-progress relating to the hospitality projects with a total balance of SAR63.1 million was written off in 2019G. In addition, the Group decided to write-off capital work-in-progress amounting to SAR14.0 million in connection with the revaluation appraisal performed by different valuers in 2019G.

The net book value of capital work-in-progress decreased to SAR1,392.9 million as at 31 December 2020G as a result of the decrease in the value of capital work-in-progress by SAR76.4 million due to the revaluation appraisal performed by different valuers. This was offset by total additions amounting to SAR184.6 million towards Remal (Al Dahia project) and Al-Widyan project.

The net book value of CWIP increased from SAR1,392.9 million as at 31 December 2020G to SAR1,494.7 as at 30 June 2021G as a result of additions amounting to SAR116.7 million related to Al Dahia project, partially offset by annual depreciation charges amounting to SAR7.1 million over the same period.

Al Widyan lands

Al Widyan residential project is located in the north of Riyadh, with an area of 7 million square meters, located 20 minutes away from the centre of Riyadh, the project carries several strategic and commercial benefits for the Group.

The Group was informed by the concerned governmental agencies that the land of Al Widyan Project is located within an area under study with the aim of developing it. The study aims to be developed by those governmental agencies, which may lead to a fundamental change to the original plan of the project and may impact the land's realisable value. The impact of this matter is still uncertain and depends on the completion of the study by government agencies and future developments. The carrying value of the related land and capital work-in-progress as at 31 December 2020G amounted to SAR2,168 million and SAR829 million respectively, and SAR2,168m and SAR856m as at 30 June 2021G, respectively.

Table No. (36): Investment in an associate company as at 31 December 2018G, 2019G, 2020G and 30 June 2021G

SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 June 2021G Reviewed
At the beginning of the year	224,452	235,657	243,141	252,663
Share of profits	19,743	17,446	16,042	7,243
Dividends received	(11,669)	(11,667)	(9,999)	(9,999)
Share of other comprehensive income	3,131	1,705	3,479	-
At the end of the year	**235,657**	**243,141**	**252,663**	**249,907**

Source: Audited financial statements for the financial years ended 31 December 2018G, 2019G and 2020G, and the reviewed financial statements for the six-month period ended 30 June 2021G

The Group owns 16.67% stake in Riyadh Holding Company, a limited liability company registered in the Kingdom of Saudi Arabia. The Group's share is accounted for using the equity method in the consolidated financial statements due to the Group's significant influence on Riyadh Holding Company, whereby the balance increases based on the Group's share of profits on associate companies (which amounts to 16.7% of the profits of the associate companies), in addition to the share in other income, and the balance decreases with the decrease in the cash received from companies in the form of dividends from associates. Investments in associate companies increased from SAR235.7 million as at 31 December 2018G to SAR243.1 million as at 31 December 2019G, due to increase in the Group's share of profit in Riyadh Holding Company with a total balance of SAR17.4 million. This was partially offset by the dividends received by the Group, amounting to SAR11.7 million.

Investment in an associate increased to SAR252.7 million as at 31 December 2020G, due to the Group's share in the profits of Riyadh Holding Company and the share in other income of SAR16.0 million and the shares in other income amounting to SAR3.4 million, offset by dividends received by the Group amounting to SAR10.0 million.

Investment in associates decreased from SAR252.7 million as at31 December 2020G to SAR249.9 million as at 30 June 2021G. This is due to dividends received by the Group amounting to SAR10.0 million, partially offset by the profits of Riyadh Holding Company amounting to SAR7.2 million over the same period.

Intangible assets

Intangible assets mainly relate to SAP that was implemented at the beginning of 2018G. Intangible assets increased from SAR11.7 million as at 31 December 2018G to SAR13.8 million as at 31 December 2019G as a result of additions and upgrades to the SAP system, then decreased to SAR11.4 million as at 31 December 2020G and further to SAR9.4 million as at 30 June 2021G as a result of annual amortization charges and the reclassifications made from intangible assets to IT expenses within the income statement.

Table No. (37): Summary of investments in equity instruments designated at fair value through comprehensive income as at 31 December 2018G, 2019G, 2020G and 30 June 2021G

SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 June 2021G Reviewed
Investments in equity instruments designated at FVOCI – unquoted equity shares	355,812	311,484	281,598	355,124
Investments in equity instruments designated at FVOCI – quoted equity shares	47,438	73,238	38	40
Total investments in equity instruments designated at FVOCI	**403,248**	**384,722**	**281,636**	**355,164**
Investments designated at FVPL – investment funds	270,838	57,109	66,755	66,755
Total investments in equity instruments	**674,086**	**441,831**	**348,391**	**421,919**

Source: Audited financial statements for the financial years ended 31 December 2018G, 2019G and 2020G, and the reviewed financial statements for the six-month period ended 30 June 2021G

Table No. (38): Investments in equity instruments designated at fair value through comprehensive income - unquoted as at 31 December 2018G, 2019G, 2020G and 30 June 2021G

SAR in 000s	Ownership	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 June 2021G Management Information
Economic Knowledge City	9.48%	102,343	78,178	93,436	180,423
Um Al Qura Development Company	1.13%	95,614	94,106	92,371	91,419
Dar Al Tamleek Company	9.18%	57,591	49,364	48,997	53,941
Kinan International for Real Estate Development Company	2.11%	54,714	44,205	42,188	25,534
Al Aqeer Development Company	5.0%	37,500	37,500	-	-
United Arabian Flat Glass Company	4.40%	7,250	7,331	3,806	3,807
Real Estate Financing Company	3.2%	800	800	800	-
Total		**355,812**	**311,484**	**281,598**	**355,124**

Source: Audited financial statements for the financial years ended 31 December 2018G, 2019G and 2020G, and management information

Total unquoted investments in equity instruments designated a FVOIC decreased from SAR355.8 million as at 31 December 2018G to SAR311.5 million as at 31 December 2019G then decreased further to SAR281.6 million as at 31 December 2020G on the back of a decline in the fair value of Economic Knowledge City and Kinan International for Real Estate Development Company by SAR8.9 million and SAR12.5 million, respectively, as a result of unrealized capital losses resulting from a change in the value of investments in these companies, in addition to the Group's sale of its investment in Al Aqeer Development Company over the same period.

Total unquoted investments in equity instruments designated a FVOIC increased from SAR281.6 million as at 31 December 2020G to SAR355.1 as at 30 June 2021G as a result of the increase in the fair value of Economic Knowledge City by SAR87.0 million due to the unrealized capital losses resulting from a change in the value of investments in this company over the same period.

Table No. (39): Investments in equity instruments carried at fair value through other comprehensive income – quoted as at 31 December 2018G, 2019G, 2020G and 30 June 2021G

SAR in 000s	Ownership	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 June 2021G Management Information
Hail Cement Company	6.12%	47,400	73,200	-	-
Taiba Investment Company	0.001%	36	38	38	40
Total		**47,436**	**73,238**	**38**	**40**

Source: Audited financial statements for the financial years ended 31 December 2018G, 2019G and 2020G, and management information

Total investments in equity instruments designated a FVOIC increased from SAR47.4 million as at 31 December 2018G to SAR73.2 million as at 31 December 2019G as a result of the increase in the fair value of shares of Hail Cement Company by SAR25.8 million due to the unrealized capital gains resulting from the change in the value of investments in these companies during the same period.

Total investments in equity instruments designated a FVOIC decreased to SAR38 thousand as at 31 December 2020G as a result of the Group's disposal of shares in Hail Cement Company over the same period.

Total investments in equity instruments designated a FVOIC increased from SAR38 thousand as at 31 December 2020G to SAR40 thousand as at 30 June 2021G as a result of the increase in the fair value of shares invested in Taiba Investment Company due to the unrealized capital gains resulting from the change in the value of investments in these companies over the same period.

Table No. (40): Movement of investments in equity instruments listed at fair value through other comprehensive income as at 31 December 2018G, 2019G, 2020G and 30 June 2021G

SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 June 2021G Management Information
At the beginning of the year	467,500	403,248	384,722	281,636
Change in fair value of investments	(64,252)	(4,756)	31,284	73,528
Proceeds from disposals and reduction of share capital	-	(13,770)	(134,370)	-
At the end of the year	**403,248**	**384,722**	**281,636**	**355,164**

Source: Audited financial statements for the financial years ended 31 December 2018G, 2019G and 2020G, and management information

During 2020G, the Group sold investments listed at fair value through other comprehensive income related to Hail Cement Company, with an original amount of SAR60 million, at a total amount of SAR96.8 million (2019G: not applicable). The profit realized on the sale amounting to SAR36.8 million was reclassified from other reserves to accumulated losses.

Table No. (41): Investments in equity instruments listed at fair value through profit and loss as at 31 December 2018G, 2019G, 2020G and 30 June 2021G

SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 June 2021G Management Information
Jadwa Investment Fund	44,938	57,109	66,755	66,755
Derayah Fund	190,477	-	-	-
The Prism Income Fund	35,423	-	-	-
Total	**270,838**	**57,109**	**66,755**	**66,755**

Source: Audited financial statements for the financial years ended 31 December 2018G, 2019G and 2020G, and management information

Table No. (42): Movement of investments in equity instruments listed at fair value through profit and loss as at 31 December 2018G, 2019G, 2020G and 30 June 2021G

SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 June 2021G Management Information
At the beginning of the year	377,173	270,838	57,109	66,755
Additions	248,751	-	-	-
Changes in fair value of investments	(893)	12,171	9,646	-
Disposed during the year	(354,193)	(225,900)	-	-
At the end of the year	**270,838**	**57,109**	**66,755**	**66,755**

Source: Audited financial statements for the financial years ended 31 December 2018G, 2019G and 2020G, and management information

Investments designated at FVPL represent investments in Jadwa investment fund which is a closed fund with the aim to invest in healthcare, in addition to investments in Derayah Fund and the Prism Income Fund, both of which are investment in short-term debt instruments. Investments designated at FVPL increased from SAR270.8 million as at 31 December 2018G to SAR57.1 million as at 31 December 2019G following the sale of the shares in Derayah Fund and The Prism Income Fund over the same period.

During 2019G, The Group sold investments designated at FVPL related to Derayah Fund and The Prism Income Fund, with an original book value of SAR225.9 million (SAR354.2 million as at 2018G), at a total amount of SAR248.9 million (SAR377.1 million as at 2018G). The profit realized on the sale amounted to SAR23.0 million (SAR23.0 million as at 2018G).

Investments designated at FVPL increased to SAR66.8 million as at 31 December 2020G and at 30 June 2021G following the exit from the investments designated at FVPL, with an original book value of SAR226.0 thousand, at SAR249.0 thousand. The profit realized on the sale amounted to SAR23.0 thousand over the same period.

Table No. (43): Right-of-use assets as at 31 December 2018G, 2019G, 2020G and 30 June 2021G

SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 June 2021G Management Information
Balance at the beginning of the year	-	-	74,529	75,909
Recognized on adoption of IFRS 16	-	75,908	-	-
Deprecation for the year	-	(1,379)	(1,383)	(3,447)
At the end of the year	**-**	**74,529**	**73,146**	**72,462**

Source: Audited financial statements for the financial year ended 31 December 2018G, 2019G and 2020G, and management information

Until 31 December 2018G, the leases of property, plant and equipment were classified as operating leases, so payments were made under rent leases after deducting any incentives received from the lessor and charged to the consolidated statement of comprehensive income on a straight-line basis over the lease term. The Group applied IFRS16 "Lease Contracts" and recognized the lease contracts as right of use assets and with corresponding liabilities on the date the leased asset was made available for use to the Group, effective for annual reporting periods beginning on or after 1 January 2019G. The lease payments are recorded under lease liabilities and finance cost. The finance cost is recognized in the income statement over the term of the lease. Right-of-use assets are depreciated over the estimated useful life of the asset or the term of the lease on a straight-line basis, as the Group has lease contracts relating to lands in the Diplomatic Quarters. Right of use assets decreased from SAR74.5 million as at 31 December 2019G to SAR73.1 million as at 31 December 2020G as a result of depreciation charges amounting to SAR1.4 million, this was partially offset by additions amounting to SAR258 thousand during the same period.

Right of use assets decreased to SAR72.5 million as at 30 June 2021G as a result of depreciation charges amounting to SAR3.4 million over the same period. The finance costs for lease obligations amounted to SAR4.5 million and SAR4.7 million and SAR2.4 million in 2019G, 2020G, and over the six-month period ended 30 June 2021G, respectively.

5.7.1.11 Current assets

Table No. (44): Current assets as at 31 December 2018G, 2019G, 2020G and 30 June 2021G

SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 June 2021G Management Information
Derivative financial instruments	2,369	-	-	-
Trade receivables	88,763	96,987	146,298	217,500
Prepayments and other receivables	172,632	98,946	103,667	196,293
Inventories	6,059	6,022	5,824	4,203
Cash and cash equivalents	331,724	184,480	523,319	168,848
Total current assets	601,547	386,435	779,108	586,844

Source: Audited financial statements for the financial year ended 31 December 2018G, 2019G and 2020G, and the reviewed financial statements for the six-month period ended 30 June 2021G

Derivative financial instruments

Derivative financial assets at fair value through profit and loss represent a floating rate loan portfolio for which risks are covered economically by hedging through financial derivatives, the maturity date was 21 May 2019G with a floating interest rate for 3 months according to SIBOR rates +1.0%, derivative financial instruments were nil as at 31 December 2019G (SAR2.4 million as at 31 December 2018G), the change in the fair value of derivative financial instruments is SAR0 (SAR13.2 profits as at 31 December 2018G), the profit from the settlement of derivative financial instruments on the maturity date amounted to SAR553 and was classified as other income.

Table No. (45): Trade receivables as at 31 December 2018G, 2019G, 2020G and 30 June 2021G

SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 June 2021G Management Information
Trade receivables	122,216	143,318	209,614	306,239
Less: allowance for expected credit losses	(33,453)	(46,331)	(63,316)	(88,739)
Net trade receivables	88,763	96,987	146,298	217,500

Source: Audited financial statements for the financial year ended 31 December 2018G, 2019G and 2020G, and management information

Table No. (46): Movement in the provision for expected credit losses as at 31 December 2018G, 2019G, 2020G and 30 June 2021G

SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 June 2021G Management Information
At the beginning of the year	18,227	33,453	46,331	63,316
Allowance for expected credit losses	15,226	12,878	23,144	25,423
Reversal	-	-	(6,159)	-
At the end of the year	33,453	46,331	63,316	88,739

Source: Audited financial statements for the financial year ended 31 December 2018G, 2019G and 2020G, and management information

Table No. (47): Aging of trade receivables as at 31 December 2018G, 2019G, 2020G and 30 June 2021G

SAR in 000s	1-90 days	91-180 days	181–270 days	271–365days	> 365 days	Total
30 June 2021G	137,896	42,483	31,582	19,906	74,372	306,239
31 December 2020G	75,140	29,710	20,461	26,952	57,351	209,614
31 December 2019G	21,345	22,945	21,098	32,914	45,016	143,318
31 December 2018G	57,804	22,526	8,978	8,585	24,323	122,216

Source: Audited financial statements for the financial year ended 31 December 2018G, 2019G and 2020G, and management information

Table No. (48): Table (48): Trade receivables ageing - 30 June 2021G

SAR in 000s	1-90 days	91-180 days	181–270 days	271–365days	> 365 days	Total
Gross receivables	137,896	42,483	31,582	19,906	74,372	306,239
Less: rental received but not recorded	(11,085)	-	-	-	-	(11,085)
Less: Allowance for expected credit losses	(1,012)	(2,835)	(4,588)	(7,958)	(61,262)	(77,654)
Net receivables	125,799	39,648	26,994	11,949	13,110	217,500

Source: management information

Trade receivables-net

Net trade receivables increased from SAR88.8 million as at 31 December 2018G to SAR96.9 as at 31 December 2019G, mainly due to the increase in trade receivables from infrastructure services related to Almadina project related to Tameer by SAR11.2 million during the same period.

Net trade receivables increased to SAR146.3 million as at 31 December 2020G as a result of the increase in the receivables related to infrastructure projects mainly Red Sea Development project and Amala (+SAR28.5 million), in addition to the increase in the receivables related to facility management projects amounting to SAR25.6 million in connection with AL Rajhi bank and takaful Al Rajhi during the same period.

Net trade receivables increased from SAR146.3 million as at 31 December 2020G to SAR217.5 million as at 30 June 2021G as a result of the increase in trade receivables related to the Commercial Plaza in connection with King Abdullah atomic city and amounting to SAR40.1 million, in addition to an increase in the receivables due from Misk foundation (SAR32.4 million) and the Diriyah Gate development authority (SAR30.5 million) in connection with infrastructure revenue, in addition to the increase in receivables due from Tatweer (SAR14.3 million), as most of the trade receivables outstanding for more than 365 days relate to rental revenues (SAR64.3 million) during the period.

Table No. (49): Prepayments and other receivables as at 31 December 2018G, 2019G, 2020G and 30 June 2021G

SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 June 2021G Management Information
Advance payment to purchase a land	50,000	50,000	50,000	50,000
Advanced payments to suppliers	42,986	21,221	47,146	41,431
VAT receivables	10,585	17,595	28,143	30,263
Bank guarantees	12,750	31,499	15,873	99,013
Amount due from related parties	4,716	220	13,080	27,165
Accrued revenue	-	3,517	10,979	3,250
Prepaid expenses	5,395	2,151	1,621	7,528
Advances to employees	598	1,115	361	711
Advance payment for the establishment of the Real Estate Development Fund	50,000	-	-	-
Others	16,999	3,890	5,929	4,398
Total	194,029	131,208	173,132	263,759

SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 June 2021G Management Information
Less: impairment provision for prepayments and other receivables	(21,397)	(32,262)	(69,465)	(67,466)
Total prepayments and other receivables	**172,632**	**98,946**	**103,667**	**196,293**

Source: Audited financial statements for the financial year ended 31 December 2018G, 2019G and 2020G, and management information

Table No. (50): Movement in the provision for impairment losses in the value of prepaid expenses and other receivables as at 31 December 2018G, 2019G, 2020G and 30 June 2021G

SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 June 2021G Management Information
At the beginning of the year	1,397	21,397	32,262	66,666
Charge for the year	20,000	10,865	38,370	800
Written-off during the year	-	-	(1,167)	(2,799)
Total	**21,397**	**32,262**	**69,465**	**67,466**

Source: Audited financial statements for the financial year ended 31 December 2018G, 2019G and 2020G, and management information

Advance payment to purchase a land

The advance payment to purchase a land represents a down payment to purchase a land from Saudi Limitless Real Estate Company located in the south of Widyan with an area of 7 million square meters to be used by the Group in establishing a real estate fund through which other investors will be brought in to complete the value of the land and invest in it. However, the transaction wasn't completed, and the amount remains to be received by the Group. It is worth mentioning that a lawsuit was filed by Limitless against the Group for the value of the land. In October 2020G, the case was decided in favour of the Group. However, management booked a provision for the expected loss related to this advance in 2018G (SAR20m), 2019G (SAR10m) and 2020G (SAR20m) and the six-month period ended 30 June 2021G.

Advanced payment to suppliers

Advanced payment to suppliers is related to infrastructure and constructions material and services among other suppliers. Advanced payments to suppliers decreased from SAR43.0 million as at 31 December 2018G to SAR21.2 million as at 31 December 2019G as a result of the amortization of prepayments to First Andareen For Trading (SAR6.6 million) and Elke Insaat Turizm Ticare (SAR1.9 million) as they provided the Group with infrastructure and construction works mainly for Al-Dahiya project in addition to other projects during the same period.

Advanced payments to suppliers increased to SAR47.1 million as at 31 December 2020G as a result of the increase in the payments for the Zakat, Tax and Customs Authority by SAR6.5 million and related to unsettled amounts between the real estate company and its subsidiaries in connection with value added tax, given that the Group submits its tax returns on a group level, in addition to the increase in the payments made to Mitsubishi by SAR3.4 million in connection with electrical works for the Commercial Project, and an increase in the payments made to First Andareen For Trading by SAR2.6 million related to the contracting works for Al-Dahiah project, among other payments to suppliers related to construction services and infrastructure works.

Advanced payments to suppliers decreased from SAR47.1 million as at 31 December 2020G to SAR41.4 million as at 30 June 2021G as a result of the amortization of prepayments to the General Authority of Zakat Income and Customs by SAR6.5 million related to the settlement of balances with subsidiaries that are related to their dues to the Authority, in addition to the amortization of the advanced payments made to Furniture Land Company to furnish several units at Midrise East Gate 9. This was offset by the increase in advanced payments to Al-Shawqiya Stars Est. by SAR1.4 million in connection with construction projects for Tameer in Riyadh during the same period.

VAT receivables

VAT receivables represent balances from the parent company to the subsidiaries as the parent company is the representative of the Group in filing all the VAT receipts to ZATCA. VAT receivables increased from SAR10.6 million as at 31 December 2018G to SAR17.6 million as at 31 December 2019G to SAR28.1 million as at 31 December 2020G and further to SAR30.3 million as at 30 June 2021G as a result of continuous differences in the balances of purchases and the VAT amounts owed by the parent company to the subsidiaries, or by the subsidiaries to the parent company (and vice versa).

Bank guarantees

Bank guarantees mainly comprised of bid bonds, performance bonds and bonds relating to advances in connection with construction and infrastructure projects. Bank guarantees amounted to SAR12.8 million as at 31 December 2018G and included bonds given to Riyadh municipality in connection with the hospitality projects in the North of Riyadh and were released in 2020G. Bank guarantees increased to SAR31.5 as at 31 December 2019G as certain bonds were issued in connection with the Red Sea Development project (an advance bond for SAR7.2 million, a performance bond for SAR7.2 million, and a bid bond for SAR1.0 million) and other bonds for several facility management projects (+SAR2.4m) during the period.

Bank guarantees decreased to SAR15.9 million as at 31 December 2020G mainly due to the release of guarantees given for the Red Sea Development project (-SAR15.3), this was offset by bank guarantees produced by the Diriyah Gate Development Authority (advance guarantee for SAR4.6 million and performance guarantee for SAR4.6 million), in addition to Misk Foundation (advance guarantee for SAR1.4 million and performance guarantee for SAR1.4 million) during the same period.

Bank guarantees increased from SAR15.9 million as at 31 December 2020G to SAR99.0 million as at 30 June 2021G mainly in connection with bonds related to Misk Foundation (performance guarantee for SAR27.6 million and advance guarantee for SAR22.4 million), Seven (advance guarantee for SAR9.1 million and performance guarantee for SAR9.1 million) and Diriyah Gate Development Authority (Bid bonds for SAR18.0 million) following the expansion of the infrastructure projects.

Amounts due from related party

Amounts due from related party relate to receivables from government clients who are owned by PIF such as the Red Sea Development, Amaala and other clients, in addition to receivables from the other shareholders in Al-Akaria subsidiaries. Amount due from related parties decreased from SAR4.7 million as at 31 December 2018G to SAR220 thousand as at 31 December 2019G mainly driven by the settlement of the receivable balance from Mohammed Ali Alsowailem (-SAR4.7m), which is another shareholder in "Saudi Real Estate Infrastructure Company". The remaining outstanding balance represents amounts due from the Saudi Real Estate Company amounting to SAR208 thousand and the Saudi Real Estate Infrastructure Company amounting to SAR12 thousand as at 31 December 2019G.

Amounts due from related party increased to SAR13.1 million as at 30 December 2020G following the increase in the receivable balance due from the Red Sea development Company amounting to SAR1.31 million in connection with infrastructure projects.

Amounts due from related party increased from SAR13.1 million as at 31 December 2020G to SAR27.2 million as at 30 June 2021G mainly due to an increase in the receivable balances from Seven amounting to SAR13.9 million, the Red Sea Development Company amounting to SAR10.1 million, and Amaala amounting to SAR3.1 million related to infrastructure projects.

Accrued revenue

Accrued revenue is recognized based on the revenue generated from construction contracts and infrastructure works, and represents unbilled revenue following execution of work which hasn't been billed by the Group, as the receipt of consideration is conditional on the successful completion of the main stages and acceptance by the client, after which the amounts recognized as accrued revenue are classified as trade receivables. Accrued revenue amounted to nil as at 31 December 2018G then increased to SAR3.5 million as at 31 December 2019G and related to construction services in connection with Dammam and Almadena projects then increased further to SAR11.0 million as at 31 December 2020G as a result of the increase in unbilled revenue from infrastructure works, in line with the groups completion of the project in many phases, in addition to the high expenses related to facilities management issued during the period. Accrued revenue decreased from SAR11.0 million as at 31 December 2020G to SAR3.2 million as at 30 June 2021G due to billing the completed works during the same period.

Prepaid expenses

Prepaid expenses relate mainly to prepaid health insurance for employees, prepaid office rents, prepaid IT license, and prepaid land purchase expenses among other prepaid expenses. Prepaid expenses decreased from SAR5.4 million as at 31 December 2018G to SAR2.2 million as at 31 December 2019G as the prepayments related to the purchase of a land in the Diplomatic Quarter in Riyadh was amortised over the period by SAR4.5 million.

Prepaid expenses further decreased to SAR1.6 million as at 31 December 2020G as a result of the amortization of the prepaid IT licenses expense by SAR277 thousand, in addition to the decrease in amount prepaid for advisory services by SAR20 thousand following the completion of these services over the same period.

Prepaid expenses increased from SAR1.6 million as at 31 December 2020G to SAR7.5 million as at 30 June 2021G following the increase in the prepaid health insurance by SAR4.2 million as the payment date was close to the cut off period, which is 30 June 2021G, in addition to the increase in prepaid office rent by SAR244 thousand also due to the date at which the Group paid the underlying rent.

Table of Contents

Advances to employees

Advances to employees relate to loans given to employees with no interest, these loans are repaid by the employees through a deduction from their salaries. Advances to employees increased from SAR598 thousand as at 31 December 2018G to SAR1.1 million as at 31 December 2019G in line with the increase in the number of employees applying for such advances.

Advances for employees decreased to SAR321 thousand as at 31 December 2020G following the settlements the made by some employees against the advances during the same period.

Advances to employees increased from SAR321 thousand as at 31 December 2020G to SAR711 thousand as at 30 June 2021G in line with the increase in the number of employees applying for these advances.

Advance payment to establish Alinma fund

The Group paid SAR50.0m in advance in 2018G as cash injection to Alinma Investment to establish the fund and transferred 5 lands to Al-Inma Bank in exchange for all shares in Alimna Al-Akaria Real Estate Development Fund. This advance was transferred to the fund, which was consolidated within the Group accounts. Accordingly, on a Group level, the SAR50m was eliminated in FY19. Management decided to liquidate the Fund, given it is not feasible for the Group to continue with this fund because of its legal structure and the locations of the underlying projects.

Others

Other receivables relate to real estate advisory services provided by the Group to various clients and receivable balances due from former employees among other outstanding receivable balances. Other receivables decreased from SAR17.0 million as at 31 December 2018G to SAR3.9 million as at 31 December 2019G as a result of the reclassification of the VAT balances from others to VAT receivables.

Other receivables increased from SAR3.9 million as at 31 December 2019G to SAR5.9 million as at 31 December 2020G as a result of the increase in the insurance expenses of the for property, machines, and equipment.

Other receivables decreased from SAR5.9 million as at 31 December 2020G to SAR4.4 million as at 30 June 2021G as a result of the decrease in the expenses paid in advance to spare parts suppliers and other suppliers.

Impairment provisions for prepayments and other receivables

Impairment provisions for prepayments and other receivables relate to the expected losses from the prepayment and other receivables following the implementation of IFRS9 based on the risk of collection and default by customer using the expected credit loss ("ECL"). Allowance for expected credit losses increased from SAR21.4 million as at 31 December 2018G to SAR32.3 million as at 31 December 2019G as a result of additional provisions (+SAR10.9 million) recorded by Management in connection with a down-payment settled by the Group to purchase a land from Limitless Real Estate Development Company due to a sale that wasn't completed during the period.

Impairment provisions for prepayments and other receivables increased to SAR69.5 million as at 31 December 2020G as a result of additional provisions amounting to SAR38.4 million booked in connection mainly with the advance payment to purchase a land from Limitless Real Estate Development Company due to a sale that wasn't completed, in addition to outstanding receivable balance amounting to SAR1.0 million due from King Saoud University for real estate advisory services rendered by the Group, in addition to other receivables.

Impairment provisions for prepayments and other receivable decreased from SAR69.5 million as at 31 December 2020G to SAR67.5 million as at 30 June 2021G as a result of write-offs amounting to SAR2.8 million.

Inventory

Inventory mainly included materials used for construction such as steel, concrete, iron, PVC pipes and consumables for maintenance and infrastructure projects, construction materials are bought on need basis and are used in across projects. Inventory remained stable at SAR6.0 million as at 31 December 2018G and at 31 December 2019G given it wasn't used during this period.

Inventories decreased from SAR6.0 million as at 31 December 2020G to SAR4.2 million as at 30 June 2021G following the usage of spare parts inventory.

Table No. (51): Cash and cash equivalents as at 31 December 2018G, 2019G, 2020G and 30 June 2021G

SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 June 2021G Management Information
Cash at banks and on hand	308,410	184,480	323,207	168,848
Short-term deposits	14,466	-	200,112	-
Cash in funds	8,848	-	-	-
Total	331,724	184,480	523,319	168,848

Source: Audited financial statements for the financial years ended 31 December 2018G, 2019G and 2020G, and management information

Cash at banks and on hands

Cash at banks and on hand decreased from SAR308.4 million as at 31 December 2018G to SAR184.5 million as at 31 December 2019G in line with the losses incurred by the Group of SAR198.0 million, in addition to purchases of investment properties amounting to SAR230.9 million during the period.

Cash at banks and on hands increased to SAR323.2 million as at 31 December 2020G due to the inflow of loans from related parties amounting to SAR289.0 million and the term loan amounting to SAR100 million during the period.

Cash and cash equivalent decreased from SAR523.3 million as at 31 December 2020G to SAR168.8 million as at 30 June 2021G, following the settlement of the short and long-term loans amounting to SAR195.6 million and the additions to investment properties purchased amounting to SAR77.0 million during.

Short term deposit

Short term deposit related to short term Islamic Murabaha deposits made for one day to three months with an interest rate between 1.7% and 1.9% depending on the immediate cash requirements of the Group.

Short term deposits amounted to SAR20.1 million as at 31 December 2020G, with an original maturity of less than three months and had an average rate commission of 0.65% (2019G: SAR nil) per annum. The Group is required to maintain certain deposits/ balances amounting to SAR58 million (2019G: SAR nil) with banks for advances received from customers against sale of development properties which are deposited into escrow accounts. These deposits/ balances are not pledged. The short-term deposit is a deposit with a local bank.

Cash in funds

Cash in funds amounted to SAR8.8 million as at 31 December 2018G and related to unused cash in Jadwa investment fund and Daraya investment fund.

5.7.1.12 Shareholders' equity

Table No. (52): Table (52): Shareholders' equity as at 31 December 2018G, 2019G, 2020G and 30 June 2021G

SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 June 2021G Reviewed
Share capital	2,400,000	2,400,000	2,400,000	2,400,000
Statutory reserve	720,000	720,000	720,000	720,000
Contractual reserve	10,051	10,051	10,051	10,051
(Accumulated losses) retained earnings	27,308	(159,043)	(262,914)	(314,050)
Other reserves	3,858	(2,228)	(6,125)	68,204
Equity attributable to equity holders of the parent company	3,161,217	2,968,780	2,861,012	2,884,205
Non-controlling interests	9,642	(2,491)	(21,744)	25,715
Total Equity	3,170,859	2,966,289	2,839,268	2,909,920

Source: Audited financial statements for the financial years ended 31 December 2018G, 2019G and 2020G, and the reviewed financial statements for the six-month period ended 30 June 2021G

Share capital

The Group's share capital amounting to SAR2,400 million as at 31 December 2018G, 2019G, and 2020G, and at 30 June 2021G is divided into 240 million shares of SAR10 each.

Statutory reserve

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

Contractual reserve

In accordance with the Group's by-laws, the Group shall transfer 10% from the net income of the year to the contractual reserve until this reserve equals 50% of the share capital. Since the Group is a loss making therefore no transfer is made to contractual reserve.

Retained earnings (accumulated losses)

Retained earnings consist of net accumulated income after deducting dividends from transfers to reserves. Retained earnings decreased from accumulated profits of SAR27.3 million as at 31 December 2018G to accumulated losses of SAR159.0 million as at 31 December 2019G then further decreased to accumulated losses of SAR263.0 million as at 31 December 2020G and further decreased to accumulated losses of SAR314.0 million as at 30 June 2021G, mainly on account of the losses incurred during the period. It is worth mentioning that during 2020G, the Group sold investments listed at fair value through other comprehensive income with a value of SAR60 million for a price of SAR96.8 million, the profit made from the sale of these investments and amounting to SAR36.8 million were reclassified from other reserves to accumulated losses.

Other reserves

Other reserves represented accumulated gains/ losses on revaluation of investments in equity instruments at fair value and actuarial gains on employees' defined benefit obligations. Other reserves decreased from SAR3.9 million as at 31 December 2018G to SAR2.2 million as at 31 December 2019G as a result of the decrease in investments in equity instruments by SAR1.3 million and the decrease of employees' defined benefit obligations during the same period.

Other reserves decreased from (-SAR2.2 million) as at 31 December 2019G to (-SAR6.1 million) as at 31 December 2020G following the decrease in investments in equity instruments by SAR2.1 million and the decrease in employees' defined benefit obligation.

Other reserves increased from (-SAR6.1 million) as at 31 December 2020G to (-SAR2.2 million) as at 30 June 2021G as a result of the increase in investments in equity instruments by SAR74.3 million and the increase in employees' defined benefit obligations.

5.7.1.13 Non-current liabilities

Table No. (53): Non-current liabilities as at 31 December 2018G, 2019G, 2020G and 30 June 2021G

SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 June 2021G Reviewed
Term loans	644,134	645,411	516,687	387,345
Loan from a related party	680,249	-	1,301,636	1,243,390
Employees defined benefit obligation	18,426	22,629	25,392	22,582
Lease liabilities	-	75,834	71,030	73,453
Total non-current liabilities	1,342,809	743,874	1,914,745	1,726,770

Source: Audited financial statements for the financial years ended 31 December 2018G, 2019G and 2020G, and the reviewed financial statements for the six-month period ended 30 June 2021G

Term Loans

The group has term loans from three banks, with a total amount of SAR2,615.383 million as at 30 June 2021G, including the current and non-current portion, divided as follows:

1. Loan from Saudi National Bank to finance Al-Widyan project amounting to SAR2,077.740 million as at 30 June 2021G
2. Loan from Riyad bank to finance Al Dahiah project amounting to SAR517.6 million as at 30 June 2021G; and
3. Loan from Saudi British Bank (SABB) to finance the working capital of the Group amounting to SAR20.0 million as at 30 June 2021G.

During 2016G the Group obtained an Islamic long-term loan from a local bank amounting to SAR2.1 billion. The loan was subject to prevailing interest rates between the Saudi banks (SIBOR) plus a profit margin and was repayable one time at the end of the agreement period in May 2019G. The Group paid SAR50 million during 2019G. During 2020G, the Group rescheduled the loan under which SAR450 million is payable in one instalment due in May 2020G and the remainder of the loan amounting to SAR1.6 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 2021G. 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 31 December 2020G, in accordance with the disclosure requirements of IAS1 "Presentation of Financial statements", an amount of SAR2.069 million (2019G: SAR2.074 million) has been classified as current liability. The bank has agreed to defer the repayment of SAR450 million to April 2021G.

During 2018G, the Group acquired another long-term Islamic loan from a local bank amounting to SAR 650 million. The loan is subject to SIBOR plus a profit margin. The loan is repayable in annual instalments in five years after a grace period of two years. The first instalment which is due to be paid in June 2021G amounting to SAR130 million of the principal loan was classified as current portion. The long-term loan granted to the Group is secured by the Group's collateralized land. The non-current portion of term loans increased from SAR644.1 million as at 31 December 2018G to SAR645.4 million as at 31 December 2019G as a result of the capitalization of SAR109 million (2018G: SAR67 million) as cost of borrowing for the construction of the projects. This was offset by a decrease by SAR50.0 million due to the setting part of its dues to Saudi National Bank during the same period.

The non-current portion of term loans decreased to SAR516.7 million as at 30 December 2020G as result of the capitalization of SAR75 million (2019G: SAR109 million) as cost of borrowing for Al Dahiah project in addition to the rescheduling of the Saudi National Bank loan during the same period.

The non-current portion of term loans decreased from SAR516.7 million as at 30 December 2020G to SAR287.3 million as at 30 June 2021G due to settling SAR130.0 million to Saudi National bank during the period.

Loan from a related party

The Group signed a long-term loan agreement with the Public Investment Fund amounting to SAR1.5 billion during 2015G for the purpose of financing the construction of the Al Widyan project and other real estate projects. In May 2020G the Group rescheduled the loan under which the new facility amounted to SAR1.3 billion reducing the original facility by SAR200 million. The loan is now payable in 16 unequal semi-annual instalments, first instalment will be due on 1 January 2022G and the last instalment is due in July 2029G. The loan is subject to prevailing interest rates between the Saudi banks (SIBOR) 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 year ended 31 December 2020G amounted to SAR27 million. Management has fully utilized the loans proceeds for the Group's ongoing projects.

In 2019G the Group was not in compliance with the loan's covenants, therefore, an amount of SAR1,012 million was classified as a current liability. The loan's covenant for the rescheduled loan will start on the first instalment due date which is 1 January 2022G.

Table No. (54): Employees' defined benefit obligations as at 31 December 2018G, 2019G, 2020G and 30 June 2021G

SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 June 2021G Management Information
Opening balance - present value of defined benefit obligation	28,823	18,426	22,629	25,392
Current service cost	4,109	7,724	6,792	2,470
Interest cost	730	560	311	-
Benefits paid	(10,197)	(7,554)	(6,159)	(5,280)

SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 June 2021G Management Information
Actuarial loss on obligation	(5,039)	3,473	2,691	-
Reclassified to liabilities directly associated with assets held for sale	-	-	(873)	-
Closing balance - present value of defined benefit obligation	**18,426**	**22,629**	**25,392**	**22,582**

Source: Audited financial statements for the financial years ended 31 December 2018G, 2019G and 2020G, and Management information

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

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

Employees' defined benefits obligations increased from SAR18.4 million as at 31 December 2018G to SAR22.6 million as at 31 December 2019G following the increase in current service costs amounting to SAR7.7 million and the increase in the actuarial losses from -SAR5.0 million as at 31 December 2018G to SAR3.5 million as at 31 December 2019G.

Employees' defined benefits obligations increased to SAR25.4 million as at 31 December 2020G as a result of the increase of the current service costs to SAR6.8 million coupled with a slight increase in the actuarial losses which amounted to SAR1.8 million during the same period.

Employees' defined benefits obligations decreased from SAR25.4 million as at 31 December 2020G to SAR22.6 million as at 30 June 2021G as a result of benefits paid amounting to SAR5.3 million which contributed to the decrease in the provision during the same period.

Table No. (55): Lease liabilities as at 31 December 2018G, 2019G, 2020G and 30 June 2021G

SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 June 2021G Management Information
Balance at the beginning of the year	-	-	75,834	71,030
Recognized on adoption of IFRS 16	-	75,908	-	-
Paid during the year	-	(4,540)	(9,463)	-
Accretion interest	-	4,466	4,659	2,423
At the end of the year (non-current)	**-**	**75,834**	**71,030**	**73,453**

Source: Audited financial statements for the financial years ended 31 December 2018G, 2019G and 2020G, and Management information

The Group has lease contracts for various land used in its operations with long lease terms of 50-99 years. Lease liabilities amounted to SAR75.8 million and SAR71.0 million as at 31 December 2019G and at 31 December 2020G respectively as a result of the adoption of IFRS16 starting 1 January 2019G. The present value of the leases is calculated using an incremental borrowing rate of 5% over the lease term, and the lease liability is amortized on a straight-line basis over the lease term. Lease liabilities decreased from SAR75.8 million as at 31 December 2019G to SAR 71.0 million as at 31 December 2020G as a result of the increase in the amount paid during the year due to the payment lease costs related to the lands in the Diplomatic Quarter then increased to SAR73.5 million as at 30 June 2021G given that Management did not record any payments and there were no additions related to the right-of-use assets during the same period.

5.7.1.14 Current liabilities

Table No. (56): Current Liabilities as at 31 December 2018G, 2019G, 2020G and 30 June 2021G

SAR in 000s	31 December 2018G (Audited)	31 December 2019G (Audited)	31 December 2020G (Audited)	30 June 2021G (Reviewed)
Trade payables	86,633	91,068	92,264	87,671
Accruals and other liabilities	101,429	169,725	220,714	244,755
Unearned revenue	139,897	103,537	108,337	162,125
Term loans - current portion	2,130,797	2,074,077	2,294,262	2,228,038
Loan from a related party - current portion	328,401	1,012,647	-	74,388
Zakat provision	40,610	37,837	56,608	51,956
Total current liabilities	**2,827,767**	**3,488,891**	**2,772,185**	**2,848,933**
Liabilities directly associated with the assets held for sale	-	-	12,340	-
Total liabilities	**4,170,576**	**4,232,765**	**4,699,270**	**4,575,703**

Source: Audited financial statements for the financial years ended 31 December 2018G, 2019G and 2020G, and the reviewed financial statements for the six-month period ended 30 June 2021G

Table No. (57): Trade payables as at 31 December 2018G, 2019G, 2020G and 30 June 2021G

SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 June 2021G Management Information
Payable to suppliers and contractors	79,400	81,768	86,221	65,659
Retentions payable to contractors	7,233	6,278	6,043	21,060
Other payables	-	3,022	-	952
Total	**86,633**	**91,068**	**92,264**	**87,671**

Source: Audited financial statements for the financial year ended 31 December 2018G, 2019G and 2020G, and management information

Payable to suppliers and contractors

Payable to suppliers and contractors related to amounts payable to suppliers and contractors providing services and required materials to the Group, increased from SAR79.4 million as at 31 December 2018G to SAR81.8 million as at 31 December 2019G then further increased to SAR86.2 million as at 30 December 2020G as a result of the increase in purchases following the increase in number of the Group's infrastructure and facility management projects during the same period.

Payable to suppliers and contractors decreased from SAR86.2 million as at 31 December 2020G to SAR65.7 million as at 30 June 2021G mainly due to the settlement made to several contractors related to the infrastructure and facility management projects.

Retentions payable to contractors

Retentions payable to contractors relates to the balance held by the Group against payables to contractors and subcontractors until their work is verified, following which the payment will be released. Retentions payable to contractors decreased from SAR7.2 million as at 31 December 2018G to SAR6.3 million 2019G then further decreased to SAR6.0 million as at 31 December 2020G mainly due to the release of the guarantees related to some infrastructure works given to Red Sea development project in favour of the subcontractors during the period.

Retentions payable to contractors increased from SAR6.0 million as at 31 December 2020G to SAR21.1 million as at 30 June 2021G as a result of the increase in the scope of work of the Red Sea Development project, Amaala, Misk Foundation and Diriyah Gate which resulted in the increase in retentions payable to subcontractors.

Other payables

This balance relates to the payable balance due to Moumtalakat (the property management subsidiary), for services rendered to the Group and are yet to be settled at year end. Other payables amounted to SAR3.0 million as at 31 December 2019G and included other payables to Hanmi for project management services that was listed as an asset held for sale during 2020G. Other payables amounted to SAR952 thousand as at 30 June 2021G and included purchases received and under payment during the period.

Table No. (58): Accruals and other liabilities as at 31 December 2018G, 2019G, 2020G and 30 June 2021G

SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 June 2021G Management Information
Advance from customers	6,718	26,099	99,890	117,870
Accrued expenses	11,250	16,927	41,990	29,656
Refundable deposits	32,457	34,225	34,331	34,997
Employees payable	2,904	11,041	18,264	17,360
Dividends payable	7,640	7,647	7,647	7,486
Management and restructuring fees for Alinma Alakaria Real Estate Fund	-	24,268	5,187	5,187
Amounts due to related parties	11,877	5,916	5,052	17,964
Professional fees	-	-	4,550	-
VAT payable	-	-	1,478	6,562
Provision for white idle lands charges	4,519	21,654	-	-
Penalties on past due instalments – long-term loan (PIF)	6,457	17,643	-	-
Derivative financial instruments accrued expenses	5,922	-	-	-
Others	11,685	4,305	2,325	7,673
Total	**101,429**	**169,725**	**220,714**	**244,755**

Source: Audited financial statements for the financial years ended 31 December 2018G, 2019G and 2020G, and management information

Advances from customers

Advances from customers represent amounts paid by tenants in advance for renting real estate units or for subcontracting services, these amounts are due against future invoices issued by the Group. Advances from customers amounted to SAR6.7 million as at 31 December 2018G and included rental advances from Atheer (SAR4.0 million). Advances from customers increased from SAR6.7 million as at 31 December 2018G to SAR26.1 million as at 31 December 2019G as a result of the increase in the rental advances from Atheer by SAR8.7 million, in addition to the advance from Sany Alameriah Co. for subcontracting services with the Group (SAR6.0 million) during the period.

Advances from tenants further increased to SAR99.9 million as at 31 December 2020G mainly in connection with the advances related to the off-plan sales of Remal Al-Dahia residential project by SAR58.4 million, in addition to the advance paid for Misk1 project amounting to SAR18.6 million.

Advances from customers increased from SAR99.9 million as at 31 December 2020G to SAR117.9 million as at 30 June 2021G as a result of the increase in advances from customers in connection with Misk1 project (+SAR18.1 million), in addition to the increase in the advances from the off-plan sales of Remal Al-Dahia residential project by SAR5.8 million.

Accrued expenses

Accrued expenses are mainly comprised of accruals for sales' commission and dues to PIF representatives on the Board of Directors in addition to other expenses. Accrued expenses increased from SAR11.3 million as at 31 December 2018G to SAR16.9 million as at 31 December 2019G as a result of the increase in the accrued legal fees related to Al Bayan legal cases by SAR2.2 million due to non-payment of sukuk, in addition to the increase in the dues to PIF representatives by SAR5.1 million in line with the numbers of meetings that the board members attended. This was offset by a decrease in the dues to other members of the Board of Directors by SAR2.9 million following the payments made to these over the same period.

Accrued expenses increased further to SAR42.0 million as at 31 December 2020G mainly driven by the increase in the accrued sales' commission by SAR13.7 million in connection with the increase in the balance due to the sales representatives of Remal Al-Dahia residential project, in addition to the increase in the accrued service contracts by SAR10.7 million during the period.

Accrued expenses decreased from SAR42.0 million as at 31 December 2020G to SAR29.7 million as at 30 June 2021G mainly driven by the payment of the sales' commission related to Remal Al-Dahia amounting to SAR7.7 million and the payment of the dues to the PIF representatives amounting to SAR5.1 million. This was offset by a slight increase in the accrued service contracts by SAR6.1 million as a result of the increase in the cost of completed and unbilled infrastructure works, which are computed and recorded at the end of each fiscal period.

Refundable deposits

Refundable deposits relate to the insurance / security deposits paid by tenants upon renting the units and is refundable upon termination or cancellation of the lease. Refundable deposits amounted to SAR32.5 million as at 31 December 2018G, SAR34.2 million as at 31 December 2019G and increased slightly to SAR34.3 million as at 31 December 2020G and further to SAR35.0 million as at 30 June 2021G.

Employees' payable

Employees' payables pertained to accrued salaries and leave among other accrued balances to the employees. Employees payable increased from SAR2.9 million as at 31 December 2018G to SAR11.0 million as at 31 December 2019G, as a result of the increase in the payables related to the subsidiaries of the Group which were consolidated at a Group level in 2019G.

Employees payable increased from SAR11.0 million as at 31 December 2019G to SAR18.3 million as at 31 December 2020G due to the increase in the bonus's provisions by SAR2 million and an increase in the leave payable balance by SAR1 million for the employees of the Saudi Real Estate Company, in addition to the increase in the leave payable balance by SAR1.2 million and the accrued salaries by SAR1.5 million for the employees of Binyah.

Employees payable relatively decreased from SAR18.3 million as at 31 December 2020G to SAR17.3 million as at 30 December 2021G as a result of the decrease in accrued salaries due to payments during the period.

Dividends' payable

Dividend's payable represented old payable balances to the shareholders and amounted to SAR7.6 million during the historical period. As per Management, those dividends were not distributed as they were unable to determine the shareholders addresses and the Shareholders haven't claimed these dividends.

Management and restructuring fees for Alinma Alakaria Real Estate Fund

Management and restructuring fees for Alinma Alakaria Real Estate Fund pertained to manager and custody fees of the Fund. Management and restructuring fees for Alinma Alakaria Real Estate Fund decreased from SAR24.3 as at 31 December 2019G to SAR5.2 million as at 31 December 2020G as a result to settlements from the Group during the same period.

Management and restructuring fees for Alinma Alakaria Real Estate Fund remained stable at SAR5.2 million as at 30 June 2021G.

Amounts due to related parties

Amounts due to related parties amounted to SAR11.9 million as at 31 December 2018G, they are related to payments from Kaia Homes (SAR2.1 million), Hanmi Global (4.3 million), and Tameer and Binyah. Amounts due to related parties decreased to SAR5.9 million as at 31 December 2019G and to SAR5.1 million as at 31 December 2020G as a result of the completion of part of the work in the Red Sea project.

Amounts due to related parties increased from SAR5.1 million as at 31 December 2020G to SAR18.0 million amounted to SAR18.0m as at 30-June-21 mainly due to advances from Red Sea Development and Amaala (entities owned by of PIF) in connection with on-going infrastructure projects.

Professional fees

Professional fees represent accrued advisory services fees to develop a new strategy for the Group. Professional fees amounted to SAR4.5 million as at 31 December 2020G then decreased to nil as at 20 June 2021G.

VAT payable

VAT payable increased from SAR1.5 million as at 31 December 2020G to SAR6.6 million as at 30 June 2021G in line with the increase in total revenues.

Provision for white idle lands charges

Provision for white idle lands charges represents a provision against the charges imposed by the government on idle lands in relation to Ministry of Housing Idle Lands Program. The provision increased from 4.5 million as at 31 December 2018G to SAR21.7 million as at 31 December 2019G following more claims from MoMRAH. Provision decreased to nil as at 30 December 2020G as the Group paid all the dues and claims to the Ministry.

Penalties of past due instalments

Penalties of past due instalments represent the penalties in connection with delays in loan instalments on the loan from PIF. Penalties increased from SAR6.5 million as at 31 December 2018G to SAR17.6 million as at 31 December 2019G due to the delays by Management in repaying the loan instalments to PIF. Penalties decreased to nil as at 31 December 2020G as a result of the rescheduling of the loan.

Derivative financial instruments accrued expenses

Derivative financial instruments accrued expenses mainly related to the accrued payment to SNCB on the derivative instrument used by the Group to hedge the SIBOR risk. Derivative financial instruments accrued expenses amounted to SAR5.9 million as at 31 December 2018G and decreased to nil as at 31 December 2019G as a result of the settlements paid off by the Group during the same period.

Others

Other accrued expenses relate to accrued Social Security expenses, deductions and withholding tax payable as well as other accrued expenses. Other accrued expenses decreased from SAR11.7 million as at 31 December 2018G toSAR4.3 million as at 31 December 2019G mainly due to deductions amounting to SAR5.0 million, in addition to expensing various accruals.

Other accrued expenses decreased further to SAR2.3 million as at 31 December 2020G mainly as a result of the settlement of the withholding tax due.

Other accrued expenses increased from SAR2.3 million as at 31 December 2020G to SAR7.7 million as at 30 June 2021G following the accruals booked for the Board of Directors expenses and the employees' cost of Tameer amounting to SAR3.2 million, in addition to the increase in the tickets and leaves accruals amounting to SAR2.4 million during the period.

Table No. (59): Unearned revenues as at 31 December 2018G, 2019G, 2020G and 30 June 2021G

SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 June 2021G Management Information
Opening balance	154,470	139,897	103,537	96,215
Amounts received during the year	280,324	227,209	246,174	152,436
Rental revenue recognized during	(294,897)	(263,569)	(252,694)	(128,571)
Rental revenue recognized during the year	139,897	103,537	97,017	120,080
Infrastructure unearned revenue	-	-	11,320	42,045
Total	139,897	103,537	108,337	162,125

Source: Audited financial statements for the financial years ended 31 December 2018G, 2019G and 2020G, and management information

Unearned revenue amounted to SAR139.9 million as at 31 December 2018G and included unearned revenues from King Abdullah Atomic City (SAR15.5 million) for the lease in Akaria Plaza, from Al Rajhi Bank (SAR17.7 million), and from STC solutions (SAR6.6 million) for their rent in Akaria 3 among other unearned revenues. Unearned revenue decreased to SAR103.5 million as at 31 December 2019G due to the decrease in the balances of Al Rajhi Bank (-SAR16.2 million) and STC solution (-SAR4.8 million) as the lease contract was completed and the tenants did not renew the contract with the Group.

Unearned revenue subsequently increased to SAR108.4 million as at 31 December 2020G mainly driven by an increase in unearned infrastructure revenue from Diriyah Gate Development Authority (+SAR2.0 million in 2020G compared to nil in 2019G) and Red Sea Development Company (+SAR9.3 million in 2020G compared to nil in 2019G) upon the kick-off of the infrastructure services by the Group. This was offset by the decrease in unearned revenue from Al Rajhi Bank and STC solution due to the expiry of their contracts with the Group.

Unearned revenue increased to SAR162.1 million as at 30 June 2021G and included unearned revenues from King Abdullah Atomic City (SAR18.1 million) for the lease in Akaria Plaza project, the unearned revenue increased due to the increase in the unearned infrastructure revenue from Misk Foundation (SAR24.5 million as at 30 June 2021G compared to nil in 2020G), and from Seven (SAR5.9 million as at 30 June 2021G compared to nil in 2020G), and from Amaala (SAR5.3 million as at 30 June 2021G compared to nil in 2020G), this was offset by a decrease in the unearned infrastructure revenue from Red Sea Development Company (-SAR2.9 million) as a result of the completion of the works agreed upon, and from Diriyah Gate (-SAR20.0 million) upon completion of the contract.

Term loans – current portion

The current portion of term loans decreased from SAR2,130.8 million as at 31 December 2018G to SAR2,074.1 as at 31 December 2019G following the payments made by the Group to Saudi National Bank amounting to SAR50.0 million during the period.

The current portion of term loans increased to SAR2,294.3 million as at 31 December 2020G following the new loan obtained from Riyad bank to finance the working capital of the Group.

The current portion of term loans decreased from SAR2,294.3 million as at 31 December 2020G to SAR2,228.0 million as at 30 June 2021G a result of the payments made by the Group to Riyad Bank amounting to SAR130.0 million during the period.

Loans from a related party – current portion

The Group signed a long-term loan agreement with the Public Investment Fund amounting to SR 1.5 billion during 2015G for the purpose of financing the construction of real estate projects. The current portion of the loan increased from SAR328.4 million as at 31 December 2018G to SAR1,012.6 million as at 31 December 2019G given that the the Group defaulted to pay its settlements in addition to incurring penalties charged by PIF amounting to SAR17.6 million following this default.

The current portion of the loan from PIF decreased to nil as at 31 December 2020G as a result of rescheduling the loan with the first instalment to be settled at 1 January 2022G and the full loan to be settled in July 2029G.

The current portion of the loan to a PIF amounted to SAR74.4 million as at 30 June 2021G, as a result of a repayment due during the same period.

Table No. (60): Zakat as at 31 December 2018G, 2019G, 2020G and 30 June 2021G

SAR in 000s	31 December 2018G Audited	31 December 2019G Audited	31 December 2020G Audited	30 June 2021G Management Information
At the beginning of the year	24,537	40,610	37,837	56,608
Charge for the year	21,028	12,687	25,304	6,229
Charge for the year relating to assets held for sale	-	190	18	-
Paid during the year	**(4,955)**	**(15,650)**	**(6,359)**	**(10,881)**
Reclassified to liabilities directly associated with the assets held for sale	-	-	(192)	-
At the end of the year	**40,610**	**37,837**	**56,608**	**51,956**

Source: Audited financial statements for the financial year ended 31 December 2018G, 2019G and 2020G, and Management information

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

5.7.2 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 2021G amounted to SAR27 million (31 December 2020G: SAR81 million, 31 December 2019G: SAR155 million).

Potential liabilities

- White idle lands claims

As of 30 June 2021G, white idle land fees that were received by the Group from the Ministry of Housing amounted to SAR210 million ((31 December 2020G and 31 December 2019G: SAR170 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 2021G status of these appeals are as follows:

- Administrative court's final ruling in favour of the Group, cancelling fees amounting to SAR115 million;
- Administrative court's final ruling in favour Ministry of Housing amounting to SAR21 million and accordingly, a provision was recorded by the Group in 2020G and 2019G;
- Administrative court's preliminary ruling in favour of the Group, cancelling fees amounting to SAR34 million;
- Cases amounting to SAR40 million that are still pending with Administrative court for preliminary ruling.
- Based on the opinion of the legal counsel appointed by the Group's management, it is highly certain that all legal cases pending with the Administrative court, will be in the favour of the Group. Accordingly, management does not consider the need to make any further provisions for such claims or related charges.

- Legal cases

In 2015G, 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 SAR50 million and Limitless Real Estate Development Company to contribute certain land worth of SAR1.77 billion to the proposed fund. The Company fulfilled its obligations by paying its cash contribution of SAR50 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 2020G 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.

5.7.3 Statement of cash flows

Table No. (61): Statement of cash flows for the financial years ended 31 December 2018G, 2019G, 2020G and 30 June 2021G

SAR in 000s	31 December 2018G (Audited)	31 December 2019G (Audited)	31 December 2020G (Audited)	30 June 2021G (Reviewed)
Operating activities				
Profit / (Loss) before Zakat from continuing operations	(176,248)	(171,440)	(129,128)	5,486
(Loss) before Zakat from discontinuing operations	-	(13,729)	(4,643)	-
Adjustments to reconcile loss before zakat to net cashflows:				
Depreciation and impairment of property and equipment and investment properties	59,128	64,338	76,070	34,345
Amortisation of intangible assets	3,791	2,380	2,429	2,046
Depreciation of right-to-use assets	-	1,379	1,383	-
Share in profit of an associate	(19,743)	(17,446)	(16,042)	(7,243)
Expected credit losses provision	15,226	12,878	23,144	13,924
Financial charges	-	-	-	27,742
Gain on disposal of investments designated as at FVPL	(22,980)	(23,019)	-	(3,619)
Gain on revaluation of investments designated as at FVPL	(13,156)	-	(9,646)	-
(Gain) Loss from revaluation of investments designated as at FVPL	893	(12,171)	-	-
Gain on disposal of investment properties	-	-	(44,316)	-
Write-off of capital work-in-progress	-	63,135	-	-
Decline in value of investment properties	-	34,377	82,698	-
Impairment provision for prepayments and other receivables	20,000	10,865	38,370	800
Impairment loss on sukuk	206,338	-	-	-
Provision for employees' defined benefit obligations	4,839	8,284	7,103	3,477
	78,088	(40,169)	27,422	76,958
Working capital increase / decrease				
Trade receivables	48,272	(21,102)	(72,863)	(85,126)
Derivative financial instruments	-	2,369	-	-
Prepayments and other receivables	(68,687)	62,821	(46,234)	(95,482)
Inventory	(3,090)	37	198	1,621
Trade payables	58,889	4,435	4,865	(4,593)
Accruals and other liabilities	35,440	51,000	58,596	20,613
Unearned revenue	(14,573)	(36,360)	4,800	53,788
Cash (used in) from operations	134,339	23,031	(23,216)	(32,221)
Employees' defined benefit obligations paid	(10,197)	(7,554)	(6,159)	(2,466)
Zakat paid	(4,955)	(15,650)	(6,359)	(10,881)
Financial charges paid	(98,723)	(115,566)	(97,341)	(49,871)
Net cashflows (used in) operating activities	20,424	(115,739)	(133,075)	(95,439)
Investing activities				
Additions to property and equipment	(17,193)	(12,173)	(9,201)	(2,443)

SAR in 000s	31 December 2018G (Audited)	31 December 2019G (Audited)	31 December 2020G (Audited)	30 June 2021G (Reviewed)
Proceeds from disposal of investments in equity instruments designated at FVOCI	-	13,770	134,370	-
Proceeds from investments designated as at FVPL	(270,838)	-	-	-
Dividends received from an associate and investments in equity instruments designated at FVOCI	14,469	11,667	9,999	9,999
Net proceeds from disposal of a subsidiary, net of cash disposed	-	-	-	(236)
Proceeds from investments designated as at FVPL	377,173	248,919	-	-
Additions to intangible assets	(11,553)	(4,497)	-	-
Additions to investment properties	(591,460)	(230,907)	(86,499)	(77,009)
Proceeds from disposal of investment properties	-	-	53,611	-
Proceeds from disposal of property, equipment and investment properties	-	-	-	-
Proceeds from disposal of property and equipment	-	1,699	83	945
Net cashflows from investing activities	(499,402)	28,478	102,363	(68,744)
Financing activities				
Long term loans	648,089	(55,443)	91,461	(195,566)
Acquisition of minority interests	-	-	-	(4,300)
Loans from related party	14,107	-	288,989	16,142
Dividends paid	(60,000)	-	-	-
Dividends issued by a subsidiary to non-controlling interests	-	-	-	(8,000)
Lease liabilities paid	-	(4,540)	(9,463)	-
Net cashflows from (used in) financing activities	602,196	(59,983)	370,987	(191,724)
Increase / (decrease) in cash and cash equivalents	123,258	(147,244)	340,275	(355,907)
Cash and cash equivalents at the beginning of the year related to discontinued operations	-	-	-	1,436
Cash and cash equivalents at the beginning of the year	208,466	331,724	184,480	524,755
Cash and cash equivalents at the end of the year	331,724	184,480	524,755	168,848

Source: Audited financial statements for the financial years ended 31 December 2018G, 2019G and 2020G, and the reviewed financial statements for the six-month period ended 30 June 2021G

Net cash flows (used in) operating activities

Net cashflows (used in) operating activities decreased from SAR20.5 million in 2018G to (-SAR115.7 million) in 2019G, as a result of non-cash adjustments in connection with impairment loss on sukuk, pertaining to debt instruments at amortised cost in connection with Sukuk Al Bayan Holding Company, provided for as the counterparty defaulted on its obligations being non-operational in nature. Impairment loss on sukuk amounted to SAR206.3 million in 2018G, in addition to the losses incurred by the Group from the revaluation of the investments designated as at FVPL with a total amount of SAR12.2 million in 2019G.

Net cashflows (used in) operating activities increased from (-SAR115.7 million) in 2019G to (-SAR133.1 million) in 2020G, due to the decrease in prepayments and other receivables from SAR62.8 million in 2019G to (-SAR46.2 million) in 2020G, coupled with a decrease in trade receivables from (-SAR21.1 million) in 2019G to (-SAR72.9 million) in 2020G, this was partially offset by an increase in unearned revenue from (-SAR36.4 million) in 2019G to SAR4.8 million in 2020G over the same period.

Net cashflows (used in) operating activities decreased from (-SAR133.1 million) in 2020G to (-SAR95.4 million) over the six-month period ended 30 June 2021G, due to the increase in profit before Zakat from continuing operations from (-SAR129.1 million) in 2020G to SAR5.5 million over the six-month period ended 30 June 2021G, this was coupled with an increase in unearned revenue from SAR4.8 million in 2020G to SAR53.8 million over the six-month period ended 30 June 2021G, given that the Group did not dispose any investment property in 2021G.

Net cashflows from (used in) investing activities

Net cashflows from (used in) investing activities increased from (-SAR499.4 million) in 2018G to SAR28.5 million in 2019G as a result of the decrease in the value of the investments designated at fair value through profit or loss related to Derayah Fund and Berzam Investment Fund. In addition, the Group's additions to investment properties decreased from (-SAR591.5 million) in 2018G to (-SAR230.9 million) in 2019G, which was partially offset by the proceeds from disposal of property and equipment (+SAR1.7 million) over the same period.

Net cashflows from (used in) investing activities increased from SAR28.5 million in 2019G to SAR102.4 million in 2020G as a result of the increase in proceeds from disposal of investments in equity instruments designated at FVOCI from SAR13.8 million in 2019G to SAR134.4 million in 2020G, in addition to a decrease in the additions to investment properties from (-SAR230.9 million) in 2019G to (-SAR86.5 million) in 2020G. This was partially offset by the proceeds from the disposal of investment properties (+SAR53.6 million) over the same period.

Net cashflows from (used in) investing activities decreased from SAR102.4 million in 2020G to (-SAR68.7 million) over the six-month period ended 30 June 2021G due to a decrease in the additions to investment properties from (-SAR86.5 million) to (-SAR77.0 million) over the same period, which was partially offset by a decrease in proceeds from disposal of investments in equity instruments designated at FVOCI from SAR134.4 million in 2020G to nil over the six-month period ended 30 June 2021G, in addition to not disposing any investment properties, thus, there is no cash flow or collection from such proceeds.

Net cashflows from (used in) financing activities

Net cashflows from (used in) financing activities decreased from SAR602.2 in 2018G to (-SAR59.9 million) in 2019G as a result of the repayment of long-term loans amounting to (-SAR55.4 million) during the period, in addition to paying lease liabilities amounting to (-SAR4.5 million) and not distributing any dividends over the same period.

Net cashflows from (used in) financing activities increased from (-SAR60.0 million) in 2019G to SAR370.9 million in 2020G, as the Group obtained a long-term loan (+SAR91.5 million) and loans from related party (+SAR 289.0 million) over the same period, in addition to the payment of lease liabilities amounting to (-SAR 9.5 million) in 2020G.

Net cashflows from (used in) financing activities decreased from SAR371.0 million in 2020G to (-SAR191.7 million) over the six-month period ending 30 June 2021G, as a result of the Group's repayment of long-term loans with a total balance of (-SAR195.6 million) over the six-month period ended 30 June 2021G, in addition to a decrease in loans from related party from SAR289.0 million in 2020G to SAR16.1 million over the six-month period ended 30 June 2021G.

Table of Contents

6. Offering Proceeds

6.1 Net Offering Proceeds

The total proceeds of the Offering are estimated at one billion five hundred and ninety-three million (1,593,000,000) Saudi Riyals. The net proceeds of the Offering are expected to be SAR 1,572,700,000, net of the costs of the Offering amounting to about SAR 20,300,000. The costs of the Offering include the fees of the Financial Advisor, Lead Manager, Underwriter and the Company's Legal Advisor, the legal advisor to the Underwriter, the Market Consultant and other Advisors, in addition to marketing, printing, distribution and other expenses related to the Offering. It should be noted that the Offering expenses are estimated and not final.

6.2 Use of Proceeds

The net proceeds of the Offering will be used to finance and implement the Company's future plans and projects and expand its various activities in addition to repaying part of the Company's credit facilities, as set out in this Section. The company will also immediately disclose to the public on the Saudi Exchange's website when there is a difference of five percent (5%) or more between the actual use of the proceeds of the offering and that was disclosed in this prospectus.

1. Financing the L'Avenir Al-Aqeeq Complex Project with an amount of SAR 159,554,887 from the proceeds of the Offering. The project is located in Riyadh in a vital location in Al-Aqeeq District along the Northern Ring Road in Riyadh, west of King Abdullah Financial District (KAFD), on a land area of 25,500 square meters. The Company developed the concept of a new project centered on an open commercial compound that offers shops, restaurants, cinema and entertainment services, in addition to a hotel/office tower overlooking the Northern Ring Road. The design idea of the project was completed and approved by the Company's Board of Directors. The RCRC has been approached for the necessary approvals on the proposed design and building permits before the Company proceeds with the preparation of detailed designs and project development;
2. Financing the Gateway Project with an amount of SAR 309,159,618 from the proceeds of the Offering. The project land is located in Jeddah in Al-Nahda District on King Abdulaziz Road in Jeddah on an area of 49,800 square meters opposite to the Red Sea Commercial Compound. A feasibility study was prepared to determine the best and optimal use of the project's land. It included the concept of a commercial project that contains multiple uses, including an entertainment compound, shops and restaurants, in addition to a hotel and hotel apartments. Based on the proposals of the feasibility study, several design consultants are being recruited to implement the initial design concept. It is expected to start implementing the project after the necessary legal approvals and licenses are obtained;
3. Financing Yamama Complex Project with an amount of SAR 152,466,696 from the proceeds of the Offering. The project is located on land owned by the RCRC within the Diplomatic Quarter in Riyadh, next to Al Yamama Park, on a total area of 39,000 square meters. The Company applied to the RCRC to rent the project land and develop it as a residential and commercial project. The Company is currently working with the RCRC to design the project concept, which will contain various residential units of villas and apartments for annual rent, in addition to a commercial area that includes shops and restaurants for rent. Upon completion of the design concept, the Company will present the final project concept to the RCRC for approval in order to conclude a final contract for leasing the land and developing the project;
4. Paying the credit facilities owed to Riyad Bank amounting to SAR 520,000,000 (for more details about these facilities, please see Section 9.9.3 "**Credit facility**");
5. Paying the credit facilities owed to AlJazira Bank amounting to SAR 382,679,922 (for more details about these facilities, please see Section 9.9.3 "**Credit facility**"); and
6. Al Akaria will use an amount of SAR 48,838,877 from the net proceeds of the Offering to support working capital and future projects to expand its many activities, which include, but are not limited to, acquiring and leasing lands and real estate properties of all kinds, developing, dividing and sorting them, and setting up facilities, buildings, compounds, hotels, hospitals, parks and schools thereon for various uses, including residential, commercial, office, tourism, entertainment, industrial, service and other uses, and selling, leasing or investing them, and utilizing them in all usage methods, with the aim of possibly acquiring land and renovating income-generating assets owned or managed by Al Akaria.

The following table shows the proposed detailed use of the net proceeds of the Offering and the related timetable. Note that the expected dates for using the Offering Proceeds are approximate and may change according to the development of the Company’s business at such time and the schedule of each project.

Table No. (62): Proposed Use of Net Offering Proceeds

Description	Total Value (SAR)	% of total proceeds
Repaying credit facilities to Riyad Bank	520,000,000	32.6%
Repaying credit facilities to AlJazira Bank	382,679,922	24%
Financing the Gateway Project	309,159,618	19.4%
Financing the L’Avenir Al-Aqeeq Complex Project	159,554,887	10%
Financing the Al-Yamamah Compound Project in the Diplomatic Quarter	152,466,696	9.6%
Working Capital Support	48,838,877	3.1%
Offering Expenses	20,300,000	1.3%
Total proceeds of the Offering	1,593,000,000	100%

Table No. (63): The Expected Timetable for the Proposed Use of the Proceeds of the Offering

Total	2021G5			2024G				2023G				2022G		Project
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	
159,554,887	13,521,087	14,900,480	16,264,715	17,613,792	15,946,394	14,294,153	14,157,730	8,018,671	7,942,881	7,867,090	6,290,640	22,737,253	0	Financing the L’Avenir Complex Project
309,159,618	37,870,496	31,675,768	31,425,007	37,068,060	30,873,332	24,728,758	18,634,334	18,483,878	18,333,421	15,236,057	15,110,677	29,719,832	0	Financing the Gateway Project
152,466,696	0	0	17,094,583	17,008,174	16,921,766	16,835,357	16,748,949	13,697,258	12,143,920	10,598,436	9,060,808	22,357,445	0	Financing the Yamama Complex Project
520,000,000	0	0	0	0	0	0	0	0	0	0	0	0	520,000,000	Repayment of credit facilities to Riyad Bank
382,679,922	0	0	0	0	0	0	0	0	0	0	0	0	382,679,922	Repayment of credit facilities to ALJAZIRA BANK
48,838,877	0	0	0	0	0	6,104,860	6,104,860	6,104,860	6,104,860	6,104,860	6,104,860	6,104,860	6,104,860	Working Capital Support
20,300,000	0	0	0	0	0	0	0	0	0	0	0	0	20,300,000	Offering expenses
1,593,000,000	The total proceeds of the Offering													

6.3 Total Proceeds in the Last Rights Issue and its Analysis

The total proceeds obtained by the Company in the last rights issue, which was approved EGM on 24/08/1427H (corresponding to 17/09/2006G), amounted to one billion five hundred and sixty million (1,560,000,000) Saudi Riyals. The Company increased its capital from six hundred million (600,000,000) Saudi Riyals to one billion two hundred million (1,200,000,000) Saudi Riyals through issuing bonus shares and thirty million (30,000,000) rights issue shareswith a nominal value of ten (10) Saudi Riyals per share at an offer price of SAR 52 (including a nominal value of SAR 10 and a premium of SAR 42).

Table No. (64): Using the Proceeds of the Offering in the Last Rights Issue

Description	Disclosed Usage Value (SAR million)	Actual Use (SAR million)	Actual Spending Percentage of Planned Spending	The Difference in the Disclosed and Actual Spending
Covering the financing requirements for three (3) projects, namely Al Akaria Plaza Center Project, Al Akaria Commercial City Project, and Yarmouk Real Estate Villa Project.	1,554	280	(1,274)	(82%)*
Offering Expenses	6	6	0	0%
Offering Proceeds	1,560	286	(1,274)	(81.7%)

Source: The Company

* The reason for the difference in the actual and the disclosed usage is the Company reconsidering the feasibility of a few of the planned projects and the Company's decision not to continue with such projects due to them not being economically feasible and due to the investment in other projects and expenses more appropriate for the Company.

With regard to the remaining amount of SAR 1,274,000,000 that was not used for the disclosed purpose, it was used by the Company as follows:

Table No. (65): Actual Use of the Previous Proceeds

Purpose	Description	Actual Spending (SAR million)
Development of the Second Diplomatic Quarter Villas	The Saudi Real Estate Company built 295 real estate units in Al Akaria Residences Project - the Diplomatic Quarter.	400
Investments in equity instruments of various companies	The Company invested in a number of companies, namely: 30 million in a glass company, 61 million in Hail Cement Company, 112 million in the Knowledge Economic City Developers Company, and 53 million in Dar Al Tamleek.	256
Purchase of various raw lands	The Company purchased 8 plots of land in some regions of the Kingdom, namely: Jeddah land for 255 million, Al Ared land for 48 million, Madina land for 30 million, Riyadh Hills land for 34 million, Empress land for 48 million, Salboukh Road land for 73 million, South Benban land for 60 million, and King Khalid Road land in Madina for 23 million.	570
Investments	Short-term investments, which are deposits and funds.	48
Total		1,274

Source: The Company

7. Expert Statements

The advisors whose names appear in the "**Corporate Directory**" Section on page iv of this Prospectus have submitted their written consent to the publication of their names and logos and their statements, where applicable, in the form contained in this Prospectus. None of the aforementioned consents were withdrawn as at the date of this Prospectus. In addition, the market consultant (an expert) who provided its statements in this Prospectus does not have any shares or interest of any kind in the Company or its Subsidiaries.

8. Declarations

The Directors declare that:

- Except as described in Section 2.1.25 "**Risks related to the interruption of work on the Al Widyan Project**" of this Prospectus and as disclosed in Section 2.1.24 "**Risks related to business interruption**," there was no interruption in the business of the Company or any of its Subsidiaries that may have, or has had, a significant effect on the Company's financial position during the 12-month period preceding the date of this Prospectus.
- No commissions, discounts, brokerages or other non-cash compensations were granted by the Company or any of its Subsidiaries during the three (3) years immediately preceding the date of the submission of its application for the registration and offer of securities.
- Except as disclosed in Section 2 "**Risk Factors**" of this Prospectus, there has been no material adverse change in the financial or trading position of the Company and any of its Subsidiaries in the three (3) years immediately preceding the date of filing the application for admission and offer of securities, subject of this Prospectus, and during the period covered in the Auditor's report up to and including the date of approval of the Prospectus;
- Except as described on page iv of this Prospectus, neither the Directors nor any of their relatives have shares or interest of any kind in the Company or any of its Subsidiaries;
- The issuance does not constitute a breach of the relevant laws and regulations in the Kingdom;
- The issuance does not breach of any of the material contracts or agreements to which the Company is a party;
- All material legal information concerning the Company has been disclosed in the Prospectus.
- Except as described in Section 9.11 "**Lawsuits and Claims**" of this Prospectus, the Company and its Subsidiaries are not subject to any legal proceedings or claims that may materially affect, individually or wholly, the business or financial position of the Company and its Subsidiaries;
- The Directors are not subject to any claims or legal proceedings that could individually or collectively have a material effect on the business or financial position of the Company or its Subsidiaries;
- The Company does not maintain treasury shares, and the Extraordinary General Assembly did not issue any approval for the Company to purchase its shares.

9. Legal Information

9.1 Company Name

The name of the Company is the Saudi Real Estate Company (Al Akaria). The Company has not changed its name since its incorporation.

9.2 Company Overview

The Saudi Real Estate Company was incorporated as a Saudi joint stock company by Royal Decree No. M/58 dated 17/07/1396H (corresponding to 15/07/1976G) and the Council of Ministers' Resolution No. 1295 dated 16/07/1396H (corresponding to 14/07/1976G) and registered under Commercial Registration No. 1010012539 issued in Riyadh on 17/06/1397H (corresponding to 04/06/1977G). Its The Company's head office is located in Riyadh, Olaya Street, Al Akaria Plaza Center - 5th Floor, P.O. Box 3572, Riyadh 11481, Kingdom of Saudi Arabia.The Company was initially established with a share capital of six hundred million (600,000,000) Saudi Riyals by the Public Investment Fund, GOSI, the Pension Fund, Riyad Bank, Bank Al-Jazira, and the National Commercial Bank (which recently changed its name to the Saudi National Bank), who collectively subscribed to fifty percent (50%) of the Company's share capital. The remaining fifty percent (50%) of the Company's share capital was offered for public subscription in accordance with the resolution of the Council of Ministers pursuant to which the Company was established.

The current share capital of the Company is two billion four hundred million (2,400,000,000) Saudi Riyals divided into two hundred forty million (240,000,000) Ordinary Shares with a fully paid nominal value of ten (10) Saudi Riyals per share.

9.3 Capital Evolution

- On 17/06/1397H (corresponding to 04/06/1977G), the Company was registered in the commercial registrar as a Saudi joint stock company with a share capital of six hundred million (600,000,000) Saudi Riyals, divided into six million (6,000,000) shares of equal value with a nominal value of one hundred (100) Saudi Riyals per share. The Company offered fifty percent (50%) of its capital for public subscription in accordance with the resolution of the Council of Ministers pursuant to which the Company was established.
- On 29/12/1419H (corresponding to 15/04/1999G), the Extraordinary General Assembly agreed to split each share into two (2) shares, whereby the Company's share capital became six hundred million (600,000,000) Saudi Riyals, divided into twelve million (12,000,000) shares of equal value with a nominal value of fifty (50) Saudi Riyals per share.
- On 21/02/1427H (corresponding to 21/03/2006G), a directive was issued by the CMA pursuant to a resolution of the Council of Ministers that the nominal value of the shares of joint stock companies shall be ten (10) Saudi Riyals. Accordingly, the Company's shares were split by dividing each share into five (5) shares so that all the Company's shares would have equal value with a nominal value of ten (10) Saudi Riyals per share. As a result, the Company's share capital would be six hundred million (600,000,000) Saudi Riyals, and the number of the Company's issued shares would be sixty million (60,000,000) Ordinary Shares of equal value, with a nominal value of ten (10) Saudi Riyals per share.
- On 24/08/1427H (corresponding to 17/09/2006G), the Company's Extraordinary General Assembly was held and approved to increase the Company's share capital from six hundred million (600,000,000) Saudi Riyals to one billion and two hundred million (1,200,000,000) Saudi Riyals through: (i) issuing thirty million (30,000,000) rights issue shares with a nominal value of ten (10) Saudi Riyals per share, and (ii) issuing a capitalization by granting thirty million (30,000,000) bonus shares with a nominal value of ten (10) Saudi Riyals per share.
- On 14/10/1439H (corresponding to 28/06/2018G), the Company's Extraordinary General Assembly was held and approved to increase the Company's share capital from one billion two hundred million (1,200,000,000) Saudi Riyals to two billion four hundred million (2,400,000,000) Saudi Riyals through issuing a capitalization by granting one hundred twenty million (120,000,000) bonus shares with a nominal value of ten (10) Saudi Riyals per share.
- On 17/10/1443H (corresponding to 18/05/2022G), the Company's Extraordinary General Assembly was held and approved to increase the Company's share capital from two billion four hundred million (2,400,000,000) Saudi Riyals to three billion seven hundred and fifty million (3,750,000,000) Saudi Riyals through issuing one hundred and thirty-five million (135,000,000) shares with a nominal value of ten (10) Saudi Riyals per share.

9.4 Term of the Company

Pursuant to Article 5 of the Bylaws, the term of the Company is one hundred thirty (130) years commencing as at the date on which the Company is registered at the commercial register. The Company's term may always be extended by a resolution of the Extraordinary General Assembly at least one (1) year prior to the expiration of the Company's term. According to the commercial register, the Company's term is ninety-nine (99) years, commencing from the Company's registration in the commercial register to 02/07/1499H. This difference is attributed to the electronic system of the Ministry of Commerce, which does not accept numbers greater than two (2) digits.

9.5 Board, Committees and Executive Management

9.5.1 Formation of the Board of Directors

In accordance with Article 18.1 of the Bylaws, the Company shall be managed by a Board of Directors consisting of nine (9) members elected by the Shareholders' General Assembly for three (3) years, with the possibility of being renewed. The current Board of Directors consists of nine (9) members: four (4) Independent members, four (4) non-executive members, and one (1) Executive member. On 23/06/1443H (corresponding to 26/01/2022G), the Ordinary General Assembly appointed the current Board of Directors of the Company for a three-year term starting from 29/06/1443H (corresponding to 31/01/2022G) and ending on 01/10/1446H (corresponding to 31/01/2025G). The following table shows the information of the Directors:

Table No. (66): Directors

Name	Position	Nationality	Age	Capacity	Representation	Number of shares held		Shareholding (%)		Appointment Date
						Direct	[*]Indirect	Direct	[*]Indirect	
Mr. Naif Saleh Al Hamdan	Chairman	Saudi	39	Non-Executive / Non-Independent	PIF	N/A	N/A	N/A	N/A	31/01/2022G
Mr.Faisal Dhahir Al Enaze	Director	Saudi	36	Non-Executive/ Non-Independent	PIF	N/A	N/A	N/A	N/A	31/01/2022G
Mr. Fahad Abdulrahman Al Mojel	Vice President	Saudi	54	Non-Executive/ Non-Independent	PIF	N/A	N/A	N/A	N/A	31/01/2022G
Mr. Ibrahim Mohammed Al Alwan[**]	Director	Saudi	48	Executive/ Non-Independent	PIF	N/A	N/A	N/A	N/A	31/01/2022G
Mr. Faisal Farkad Al Khani	Director	Saudi	38	Non-Executive/ Non-Independent	PIF	N/A	N/A	N/A	N/A	31/01/2022G
Mr. Fahad Ibrahim Al Hammad	Director	Saudi	55	Non-Executive/ Independent	N/A	N/A	N/A	N/A	N/A	31/01/2022G
Mr.Mohammed Musfir Al Malki	Director	Saudi	48	Non-Executive/ Independent	N/A	N/A	N/A	N/A	N/A	31/01/2022G
Mr.Mohammed Abdullah Al Smari	Director	Saudi	44	Non-Executive/ Independent	N/A	N/A	N/A	N/A	N/A	31/01/2022G
Mr. Hisham Hussain Al Khaldi	Director	Saudi	44	Non-Executive/ Independent	N/A	N/A	N/A	N/A	N/A	31/01/2022G

Source: The Company

[*] The shares owned by the Directors indirectly in the Company through their ownership in companies that ownin the Company, or the shares owned by the relatives of the Directors directly or through their ownership in companies owning shares in the Company.

[**] Mr. Ibrahim Alalwan is the Managing Director and CEO.

The Company complies with the Companies Law and the Corporate Governance Regulations in relation to the number of Directors. The Company complies with Article 16 of the Corporate Governance Regulations which requires the majority of its Directors to be composed of non-executive members and the number of its independent members shall not be less than two members or one-third of the Board (whichever is greater).

Table of Contents

9.5.2 Appointment to Mandatory Positions

In accordance with Article 23.1 of the Bylaws, the Board shall appoint from among its members a Chairman and a Vice Chairman and may appoint a Managing Director. In addition, in accordance with Article 23.4 of the Bylaws, the Board shall appoint a Secretary to be appointed from among its members or third parties. The Company complies with these requirements in accordance with the Bylaws and the Corporate Governance Regulations. The Board approved the appointment to such positions as follows:

Table No. (67): Appointment to Key Positions

Position	Date of the Board's Appointment Resolution	Nominated Person
Chairman	29/06/1443H (corresponding to 01/02/2022G)	Naif bin Saleh Al Hamdan
Vice President	29/06/1443H (corresponding to 01/02/2022G)	Fahad Abdulrahman Al Mojel
Managing Director*	29/06/1443H (corresponding to 01/02/2022G)	Ibrahim bin Mohammed Al Alwan
Secretary	29/06/1443H (corresponding to 01/02/2022G)	Bandar bin Mohammad Al-Muneef

*The position of Managing Director is not a mandatory position.

9.5.3 Board Remuneration

In accordance with Article 22 of the Bylaws, the remunerations of the Directors consist of a certain amount, attendance allowance for meetings, in-kind benefits, or a certain percentage of net profits. Two or more of these benefits may be combined, provided that the Board, while defining and disbursing the remuneration received by its members, takes into account the relevant provisions of the Companies Law and the Corporate Governance Regulations. In accordance with Article 76.3 of the Companies Law, the sum of the remunerations and cash or in-kind benefits that a Director receives must not exceed five hundred thousand (500,000) Saudi Riyals annually, other than any special remuneration for the Chairman and the Managing Director pursuant to Article 81 of the Companies Law. The Company complies with these requirements. The following table shows the remunerations and allowances of the Directors, including salaries, bonuses and allowances, for the previous three (3) financial years:

Table No. (68): Remuneration of the Directors (SAR)

	2019G	2020G	2021G
Directors	3,315,333	6,451,333	2,249,000

Source: The Company

9.5.4 Board Meetings

Pursuant to Article 24 of the Company's Bylaws, the Board of Directors shall meet at the invitation of its chairman whenever the interest of the Company so requires, and there must be no fewer than four board meetings on an annual basis. The Company complies with the Bylaws and the Corporate Governance Regulations. The Board held at least four (4) meetings during the previous three (3) financial years, according to the following table:

Table No. (69): Number of Board Meetings

Administrative Body	2018G	2019G	2020G	2021G
Board of Directors	4	5	5	4

Source: The Company

9.5.5 Board Committees

The Company has three (3) committees: Audit Committee, Nomination and Remuneration Committee, and Executive Committee. All of these committees consist of three (3) to five (5) members. They have detailed charters that define their tasks, work procedures and other matters. For more details about the Company's committees, please see Section 4.3 "**Board Committees**."

9.5.6 Executive Management

The Company is managed on a daily basis by an experienced and highly qualified Executive Management team. The following table shows the names and details of the Executive Management as at the date of this Prospectus.

Table No. (70): Details of the Members of the Executive Management

Name	Position	Nationality	Age	Number of shares held		Shareholding (%)		Year of Appointment
				Direct	[*]Indirect	Direct	[*]Indirect	
Mr. Ibrahim bin Mohammed Al Alwan	Managing Director and CEO	Saudi	48	N/A	N/A	N/A	N/A	2019G
Mr. Fahad bin Ayed Al-Shamri	CFO	Saudi	45	N/A	N/A	N/A	N/A	2021G
Mr. Mohammed Sari Antbawi	Chief Investment Officer	Jordanian	40	N/A	N/A	N/A	N/A	2019G
Vacant[**]	Chief Commercial Officer	-	-	-	-	-	-	-
Mr. Moaz Al Makhdoub	Chief Development Officer	Saudi	47	N/A	N/A	N/A	N/A	2020G
Mr. Mohammed Al-Ghazwani	Chief Operations Officer	Saudi	43	N/A	N/A	N/A	N/A	2020G

Source: The Company

[*] The shares indirectly owned by the executives in the Company through their ownership in companies that ownin the Company, or the shares owned by their relatives directly or through their ownership in companies owning shares in the Company.

[**] Mr.Khalid Al Dubaie resigned from his position as the Chief Commercial Officer on 12/12/2021G, and the Company is the process of hiring a Chief Commercial Officer.

9.6 Objectives of the Company

The Company operates under Commercial Registration No. 1010012539 issued in Riyadh on 17/06/1397H (corresponding to 04/06/1977G). The Company's main activities are to engage in the following purposes inside and outside the Kingdom, in accordance with the Company's Bylaws:

1. Owning, leasing, developing, dividing and sorting lands and real estate properties of all kinds, and setting up facilities, buildings, complexes, hotels, hospitals, parks and schools for various uses, including residential, commercial, office, tourism, entertainment, industrial, service and other uses, and selling, leasing or investing them, and exploiting them in all usage methods in accordance with the laws;
2. Developing and managing lands, real estate properties, plans and various projects owned by the Company or third parties, whether in return for a commission, or based on the BOT, partnership in ownership, or management and operation model, or the management service of development programs;
3. Investing in, purchasing, selling, charging, releasing, receiving and enforcing on real estate properties and residential, commercial, industrial and other units, obtaining and paying the price, and performing all related supporting acts;
4. Conducting real estate brokerage in the sale, marketing, leasing and valuation of real estate properties owned by the Company and third parties;
5. Managing, marketing and offering its projects or non-real estate projects for sale inside and outside the Kingdom;
6. Providing all development, marketing and real estate investment activities and services, and evaluating and assessing real estate properties of all kinds;
7. Managing and leasing all types of real estate owned or leased for the Company or third parties;
8. Maintaining, operating, managing, protecting and cleaning building, properties and facilities of all kinds, operating, repairing, maintaining and reconstructing machinery and equipment of all kinds;
9. Carrying out all building and construction contracting works, structural, architectural, civil, mechanical, electrical and other works, and implementing supporting and complementary works for finished, unfinished, residential and non-residential buildings, whether for the Company's projects or third-party projects;
10. Carrying out all excavation, ready-mix concrete and plastering works, including finishing buildings, installing ceilings and barriers, pouring bases and foundations, preparing and equipping sites, including excavation, leveling and groundwater drawing works;

Table of Contents

11. Carrying out infrastructure works, including the construction and repair of roads, streets, parks, sidewalks, bridges, tunnels, railways, water, sewage and rainstorm network, electricity, communications, gas and refrigeration activities, and laying pipes and wires of all kinds and the related supplies;
12. Supplying, installing, manufacturing, maintaining and repairing lighting, refrigeration, air conditioning, insulation and network systems of all kinds;
13. Carrying out works and installation of decorations, glass, and tower facades of all kinds, and interior and exterior painting activities;
14. Establishing, owning and operating ready-mix and prefabricated concrete factories, and selling and transporting its products to the Company's project sites or third parties;
15. Establishing, owning, operating and managing factories of building materials whatsoever, importing their raw materials and production supplies, marketing their products, and obtaining commercial agencies;
16. Developing, supplying and operating the necessary mechanisms for real estate development work, including fixed and mobile tools, equipment and cranes, and market or rent them to third parties; and
17. Manufacturing and supplying furniture for various office and residential uses;
18. Owning and investing in research outputs, intellectual rights and patents related to the manufacturing of building materials and equipment, developing advanced construction techniques, and transferring and localizing them to the Kingdom;
19. Providing specialized advisory services in the construction industry, real estate, development, marketing and real estate investment sectors;
20. Providing real estate project management services and supervising their implementation;
21. Training in development, marketing and real estate investment and managing and supervising the implementation of real estate projects; and
22. Attracting local and foreign investments to participate in any of the Company's activities.

The Company undertakes its activities on a commercial basis, in accordance with the applicable regulations and after obtaining the necessary licenses from the competent authorities, if any.

The Company may, by a resolution of the Board of Directors, establish branches, offices or agencies inside or outside the Kingdom. The Company has no branches.

In accordance with the Company's Bylaws, the Company may establish its own limited liability or closed joint stock companies, such that the capital is not less than five million (5,000,000) Saudi Riyals. The Company may also have an interest or participate in some way with the bodies or companies that carry out business similar to its business or assist it in achieving its purpose. It may own shares and stocks in other existing companies or merge with them. It also has the right to participate with others in the establishment of joint-stock or limited liability companies after satisfying the requirements of regulations and instructions in this regard. The Company may also dispose of such shares or stocks, provided that there shall be no brokerage in trading shares. As at the date of this Prospectus, the Company has several Subsidiaries. For more details about the Subsidiaries, please see Section 3.10 "**Subsidiaries**."

For more details about the Company's business and projects, please see Section 3.8 "**Activities and Projects**."

The Company operates in accordance with the applicable laws and with the necessary licenses issued by the competent authorities. For more details, please see Section 9.7 "**Government Certificates, Approvals and Licenses**".

9.7 Government Certificates, Approvals and Licenses

The Company and its Subsidiaries have obtained several regular and operating licenses and certificates from competent authorities, to be periodically renewed. The following tables show the key certificates, approvals and licenses granted by the Company and its Material Subsidiaries.

9.7.1 Company Approvals and Licenses

Table No. (71): Company Approvals and Licenses

License Type	License No.	Registration Date	Expiration Date	Issuing Entity	Notes
Commercial Registration Certificate	Registration No.: (1010012539)	17/06/1397H (corresponding to 04/06/1977G)	29/05/1448H (09/11/2026G)	Ministry of Commerce	N/A
Chamber of Commerce and Industry Membership Certificate	Membership No.: (4962)	07/01/1398H (18/12/1977G)	29/05/1448H (09/11/2026G)	Chamber of Commerce and Industry in Riyadh	Membership level: First.
Zakat Certificate	Certificate No.: (1110772136) Special Number: (3000540319)	25/10/1442H (06/06/2021G)	29/09/1443H (30/04/2022G)	ZATCA	N/A
VAT Registration Certificate	The Group's tax registration No.: 300054031910003	13/04/1439H (01/01/2018G)*	It has no expiration date	ZATCA	The Saudi Real Estate Company is the Group's representative. The Group includes four (4) members: The Saudi Real Estate Construction Company, Real Estate Infrastructure Company, Saudi-Korean Company for Maintenance and Properties Management, and Al Widyan Saudi Real Estate Company.
Real Estate Developer Qualification Certificate (Wafi)	Committee Decision No. 423	16/07/1442H (28/02/2021G)	For three years, i.e. 17/07/1445H (28/01/2024G)	Wafi – Ministry of Municipal, Rural Affairs and Housing	Real Estate Developer Qualification Certificate for existing facilities.
Off-plan sales license (for Al Akaria Park)	License No.: (123)	26/07/1443H (27/02/2022G)	06/08/1444H (26/02/2023G)	Wafi – Ministry of Municipal, Rural Affairs and Housing	Off-plan sales license for a Project (Al Akaria Park)
Off-plan sales license (for Al Dahiya Project)	License No.: A/113	11/11/1442H (21/06/2021G)	20/11/1443H (20/06/2022G)	Wafi – Ministry of Municipal, Rural Affairs and Housing	Off-plan sales license for Al Dahiya Project.
Nitaqat	Establishment No.: 1-59616	-	-	MHRSD	Entity size: Medium (Class B) Saudization Rate: 75.65%
Saudization Certificate	Certificate No.: 20002202014565	09/07/1443H (10/02/2022G)	09/10/1443H (10/05/2022G)	MHRSD	A statement that the Company complies with the required Saudization rate.
Social Insurance Certificate	Certificate code: 45547742	06/09/1443H (07/04/2022G)	05/10/1443H (06/05/2022G)	GOSI	A statement of the Company complies with its obligations to GOSI.

Source: The Company

*Except for Al Widyan, the effective date of its registration is 01/11/2018G.

9.7.2 Approvals and Licenses of the Material Subsidiaries

9.7.2.1 Binyah

Table No. (72): Binyah Approvals and Licenses

License Type	License No.	Registration Date	Expiration Date	Issuing Entity	Notes
Commercial Registration Certificate	Registration No.: 1010469561	06/07/1438H (04/04/2017G)	06/07/1444H (28/01/2023G)	Ministry of Commerce	N/A
Chamber of Commerce and Industry Membership Certificate	Membership No.: 416030	25/10/1438H (19/07/2017G)	06/07/1444H (28/01/2023G)	Chamber of Commerce and Industry in Riyadh	Membership level: First.
VAT Registration Certificate	The Group's tax registration No.: 300054031910003	13/04/1439H (01/01/2018G)	It has no expiration date	ZATCA	The Saudi Real Estate Company is the Group's representative. The Group includes four (4) members: The Saudi Real Estate Construction Company, Real Estate Infrastructure Company, Saudi-Korean Company for Maintenance and Properties Management, and Al Widyan Saudi Real Estate Company.
Zakat Certificate	Certificate No.: 1020584230 Special No.: 3101568893	04/07/1442H (16/02/2021G)	29/09/1443H (30/04/2022G)	ZATCA	N/A
Contractors Classification Certificate	License No.: 1010469561	24/12/1440H (25/08/2019G)	24/12/1444H (13/07/2023G)	Ministry of Municipal, Rural Affairs and Housing	Classified in two fields: Roads (Class III). - Water and sewage works (Class V).
Nitaqat	Establishment No.: 1655940-1	-	-	MHRSD	Entity size: Medium (Class C) Saudization Rate: 33.72%.
Saudization Certificate	Certificate No.: 20002203022350	19/08/1443H (22/03/2022G)	23/11/1443H (22/06/2022G)	MHRSD	A statement that the Company complies with the required Saudization rate.
Social insurance Certificate	Certificate code: 45786920	17/09/1443H (18/04/2022G)	16/10/1443H (17/05/2022G)	GOSI	A statement of the Company complies with its obligations to GOSI.

Source: The Company

9.7.2.2 Tamear

Table No. (73): Tamear Approvals and Licenses

License Type	License No.	Registration Date	Expiration Date	Issuing Entity	Notes
Commercial Registration Certificate	Registration No.: 1010466367	15/03/1438H (14/12/2016G)	05/10/1433H (06/05/2022G)	Ministry of Commerce	N/A
Chamber of Commerce and Industry Membership Certificate	Membership No.: 383665	27/03/1438H (26/12/2016G)	05/10/1433H (06/05/2022G)	Chamber of Commerce and Industry in Riyadh	Membership level: First.
VAT Registration Certificate	The Group's tax registration No.: 300054031910003	13/04/1439H (01/01/2018G)	It has no expiration date	ZATCA	The Saudi Real Estate Company is the Group's representative. The Group includes four (4) members: The Saudi Real Estate Construction Company, Real Estate Infrastructure Company, Saudi-Korean Company for Maintenance and Properties Management, and Al Widyan Saudi Real Estate Company.
Zakat Certificate	Certificate No.: 1110872591 Special No.: 3020086159	22/01/1443H (30/09/2021G)	29/09/1443H (30/04/2022G)	ZATCA	N/A
Contractors Classification Certificate	License No.: 1010466367	05/04/1443H (10/11/2021G)	20/04/1444H (15/11/2022G)	Ministry of Municipal, Rural Affairs and Housing	Classification Area: Buildings (Class I).
Membership Certificate of the Saudi Contractors Authority	Membership No.: 100009827	04/04/1443H (10/11/2021G)	20/04/1444H (15/11/2022G)	Saudi Contractors Authority	Contractor membership.
Nitaqat	Establishment No.: 1-1479956	-	-	MHRSD	Entity size: Medium (Class B) Saudization Rate: 21.39%
Saudization Certificate	Certificate No.: 20002201013613	16/06/1443H (19/01/2022G)	18/09/1443H (19/04/2022G)	MHRSD	A statement that the Company complies with the required Saudization rate.
Social Insurance Certificate	Certificate code: 45602092	09/09/1443H (10/04/2022G)	08/10/1443H (09/05/2022G)	GOSI	A statement of the Company complies with its obligations to GOSI.

Source: The Company

9.7.2.3 Mumtalakat

Table No. (74): Mumtalakat Approvals and Licenses

License Type	License No.	Registration Date	Expiration Date	Issuing Entity	Notes
Commercial Registration Certificate	Registration No.: 1010612687	11/02/1439H (01/11/2017G)	11/02/1446H (15/08/2025G)	Ministry of Commerce	N/A
Chamber of Commerce and Industry Membership Certificate	Membership No.: 432082	19/03/1439H (07/12/2017G)	09/02/1446H (15/08/2024G)	Chamber of Commerce and Industry in Riyadh	Membership level: First.
VAT Registration Certificate	The Group's tax registration No.: 300054031910003	13/04/1439H (01/01/2018G)	It has no expiration date	ZATCA	The Saudi Real Estate Company is the Group's representative. The Group includes four (4) members: The Saudi Real Estate Construction Company, Real Estate Infrastructure Company, Saudi-Korean Company for Maintenance and Properties Management, and Al Widyan Saudi Real Estate Company.
Zakat Certificate	Certificate No.: 1020720709 Special No.: 3101713997	16/09/1442H (28/04/2021G)	29/09/1443H (30/04/2022G)	ZATCA	N/A
Cities Service Provider Classification Certificate	Certificate No.: 20210695	25/07/1442H (09/03/2021G)	09/09/1446H (09/03/2025G)	Ministry of Municipal, Rural Affairs and Housing	Class III Classification in the operation, maintenance and service sector.
Nitaqat	Facility No. 1677410-1	-	-	MHRSD	Entity size: Medium (Class C) Saudization Rate: 18.83%.
Saudization Certificate	Certificate No.: 20002203020211	17/08/1443H (20/03/2021G)	21/11/1443H (20/06/2022G)	MHRSD	A statement that the Company complies with the required Saudization rate.
Social Insurance Certificate	Certificate code: 45641864	10/09/1443H (11/04/2022G)	09/10/1443H (10/05/2022G)	GOSI	A statement of the Company complies with its obligations to GOSI.

Source: The Company

9.7.2.4 Al Widyan

Table No. (75): Al Widyan Approvals and Licenses

License Type	License No.	Registration Date	Expiration Date	Issuing Entity	Notes
Commercial Registration Certificate	1010455071	16/11/1439H (29/07/2018G)	16/11/1444H (05/06/2023G)	Ministry of Commerce	N/A
Chamber of Commerce and Industry Membership Certificate	Membership No.: 45774	04/12/1439H (15/08/2018G)	16/11/1444H (05/06/2023G)	Chamber of Commerce and Industry in Riyadh	Membership level: Premium.
VAT Registration Certificate	The Group's tax registration No.: 300054031910003	23/02/1440H (01/11/2018G)	It has no expiration date	ZATCA	The Saudi Real Estate Company is the Group's representative. The Group includes four (4) members: The Saudi Real Estate Construction Company, Real Estate Infrastructure Company, Saudi-Korean Company for Maintenance and Properties Management, and Al Widyan Saudi Real Estate Company.
Zakat Certificate	Certificate No.: 1020789143 Special No.: 3102380489	28/10/1442H (09/06/2021G)	29/09/1443H (30/04/2022G)	ZATCA	N/A
Nitaqat	N/A[*]				
Saudization Certificate	N/A[*]				
Social Insurance Certificate	N/A[*]				

Source: The Company

[*] There are no employees currently registered for Al Widyan due to the business interruption. Please see Section 2.1.25 "**Risks related to the interruption of work on the Al Widyan Project**."

9.8 Continuing Obligations Imposed by Government Entities on the Company in its Capacity as License Holder

9.8.1 Continuing Obligations According to the Requirements of the Ministry of Commerce

- The Company complies with the Commercial Register Law in terms of registration with the commercial register department in Riyadh where its head office is situated, pursuant to certificate No. 1010012539 dated 17/06/1397H (corresponding to 04/06/1977G) expiring on 29/05/1448H (09/11/2026G).
- The Company complies with the Companies Law in terms of adopting the Company's Bylaws in line with the latest amendments made to said law.
- The Company also complies with the Commercial Register Law as it is registered in the membership of the Chamber of Commerce and Industry under membership No. 4962 dated 07/01/1398H (corresponding to 18/12/1977G). The membership certificate expires on 29/05/1448H (corresponding to 09/11/2026G).

9.8.2 Continuing Obligations according to the Requirements of ZATCA

- Similar to other companies, the Company is required to submit its Zakat and tax returns within one hundred and twenty (120) days from the end of the financial year, for the purpose of renewing the certificate issued by ZATCA.
- The Company was registered as a taxpayer under unique tax No. 3000540319. The Company submitted its Zakat return for the year ended 31/12/2020G and obtained its Zakat certificate No. 1110772136 dated 25/10/1442H (corresponding to 06/06/2021G) from ZATCA stating that the Company submitted its Zakat return. This certificate is valid until 29/09/1443H (corresponding to 30/04/2022G).
- The Company complies with the VAT Law and its implementing regulations. It is registered with ZATCA under tax number (300054031910003) according to the certificate issued on 13/04/1439H (corresponding to 01/01/2018G).

For more details on the Zakat position of the Company, please see Section 9.12 "**Zakat Position of the Group**."

9.8.3 Continuing Obligations according to the Requirements of the MHRSD

- The Company is registered with the MHRSD (Labor Office) under the unified number (7000651492).
- As at the date of this Prospectus, the Company benefits from the electronic services of the MHRSD. The Saudization certificate was issued on 09/07/1443H (corresponding to 10/02/2022G) under license No. 20002202014565 to indicate that the Company complies with the required Saudization rate.

9.8.4 Continuing Obligations according to the Requirements of the GOSI

The General Organization for Social Insurance (GOSI) issued Certificate No. 45547742 dated 06/09/1443H (corresponding to 07/04/2022G) stating that the Company is registered under Subscription No. 10044502. The Company fulfilled its obligations towards GOSI according to the latter's data.

9.8.5 Continuing Obligations according to the Requirements of the Ministry of Municipal, Rural Affairs and Housing

The Company complies with the requirements of the Ministry of Municipal, Rural Affairs and Housing. The Company obtained the necessary licenses to build and operate its projects and real estate assets.

9.8.6 Continuing Obligations according to the Requirements of the General Directorate of Civil Defense

The Company complies with the safety standards required by the Civil Defense. The General Directorate of Civil Defense has issued the necessary safety certificates for the construction and operation of the Company's projects and real estate assets.

9.8.7 Continuing Obligations Regarding Ejar

Pursuant to the Council of Ministers' Resolution No. 292 dated 16/05/1438H (corresponding to 13/02/2017G), a lease contract that is not registered in the electronic network for rental services, "Ejar," shall be null and void and shall not have administrative or judicial effects. Leasing is one of the Company's main activities. The Company has about 1920 existing leases as at the date of this Prospectus. The Company is partially committed to registering its contracts with Ejar. It has only registered 610 contracts with Ejar (representing about 31.77% of the total number of contracts) (for more details about the risks related to the failure to register the contracts with Ejar, please see Section 2.1.27 "**Risks related to Alinma Real Estate Fund**").

9.8.8 Continuing Obligations according to the Requirements of CMA

Listed companies are required by the CMA to comply with the ROSCOs, the Corporate Governance Regulations, the special instructions issued by CMA, and the Listing Rules, especially the obligation to periodically disclose material and financial developments as well as the Board's report. The Company also complies with the reporting models contained in the Instructions for Corporate Financial Reporting. The Company shall also provide a statement including all the reasons and effects for a change in financial results, provided that the reasons shall cover all items of the financial reporting. Except as disclosed in this Prospectus, the Company is committed in all material aspects to the mandatory articles of the Capital Market Law and its Implementing Regulations (for more details about the risks related to the failure to comply with the laws and regulations, please see Section 2.1.19 "**Risks related to the violation of the Companies Law and the CMA's Laws and Regulations**").

9.9 Material Contracts

9.9.1 Related Party Contracts and Transactions

The Company has transactions and contracts with related parties. The following table shows the details of the effective agreements and contracts as at the date of this Prospectus:

Table No. (76): Related Party Contracts and Transactions

#	Contract/Work	Contracting Parties	Relationship	Contract/Transaction Nature	Contract/ Transaction Term	Contract/ Transaction Value
Tamear						
1.	Development and Modification Contract	Tamear	Subsidiary	Contract for the Development of Al Akaria East Residential Compound 1, Gate No. 7, Olaya	210 days from the date of handing over the site or paying the first installment (whichever is later), the contract has been extended to end on 11/06/2022G.	SAR 18,766,925
2.	Lease agreement	Tamear	Subsidiary	A contract for leasing office numbers 609, 610 and 611 in the Al Akaria Center II	Hijri year starting from 07/10/1440H, to be automatically renewed	SAR 358,153.67 per annum
Mumtalakat						
3.	Support Services Contract	Mumtalakat	Subsidiary	A contract to provide administrative support services such as rent collection, property management, leasing, and other services.	One year, to be automatically renewed	SAR 6,913,142
4.	Services agreement	Mumtalakat	Subsidiary	Integrated Facility Management Services Agreement.	Two years ending on 31/12/2022G	SAR 82,835,340
5.	Lease agreement	Mumtalakat	Subsidiary	A contract for leasing Office No. 1/1720312 in Al Akaria Center II	12 Hijri months starting from 07/10/1440H, to be automatically renewed	SAR 793,514 per annum
Binyah						
6.	Lease agreement	Binyah	Subsidiary	A contract for leasing Office No. 605 in Al Akaria Center II	Hijri year starting from 22/04/1439H, to be automatically renewed	SAR 175,323.72 per annum
7.	Lease agreement	Binyah	Subsidiary	A contract for leasing Office No. 637 in Al Akaria Center II	364 days starting from 25/02/1443H, to be automatically renewed	SAR 214,240 per annum
8.	Lease agreement	Binyah	Subsidiary	A contract for Leasing Space No. 106 of Office No. 605 in Al Akaria Center II	Hijri year starting from 28/02/1440H, to be automatically renewed	SAR 4,124 per annum
9.	Lease agreement	Binyah	Subsidiary	A contract for leasing Office No. 1/0632 in Al Akaria Center II	12 Hijri months starting from 11/04/1440H, to be automatically renewed	SAR 147,175.42 per annum

In addition, the Company had a credit facility agreement with a related party (Public Investment Fund, which is a Substantial Shareholder), whereby the PIF waived its rights and obligations under this agreement in favor of the Ministry of Finance (for more details in this regard, please see Section 9.9.3 "**Credit facility**"). Please also see Section 2.1.17 "**Risks related to related party transactions and their documentation**" for more details about the risks associated with related party transactions.

9.9.2 Material Contracts with Related Parties

Below is a summary of the material contracts with related parties:

A. Gate 7 Contract

Agreement	Contract for the Development of Al Akaria East Residential Compound 1, Gate No. 7, Olaya
Third Party	Saudi Real Estate Construction Company (Tamear)
Term of Agreement	Two hundred and ten (210) days from the date of handing over the site or paying the first installment (whichever is later). The expiration date is 11/06/2022G.
Subject Matter	The agreement includes the development and implementation of renovation and finishing works for the entire East Residential Compound 1, Gate No. 7, in Olaya.
Value of Agreement	SAR 18,766,925, of which fifty percent (50%) is to be paid in advance.
Summary of the Key Obligations	Under the agreement, the Company has several obligations, particularly: (i) paying the consideration in full at the times specified in the agreement, (ii) handing over the site to Tamear, and (iii) issuing a completion certificate based on a field inspection. Under the agreement, Tamear has several obligations, particularly: (i) completing the works of the general site and related works (flats, service areas, etc.), (ii) securing an engineer to follow up on the progress of work, (iii) correcting any works that do not conform to the requirements within twelve (12) months (the year of warranty), and (iv) maintaining liability insurance covering the services at its own expense.
Applicable Law	The agreement is governed by the laws of the Kingdom of Saudi Arabia.
Termination Provisions	The agreement ends in several ways, particularly (i) by a notice of termination provided the Company due to Tamear's failure to comply with the provisions of the agreement after three (3) written warnings are given, (ii) due to the withdrawal or abandonment of the work by Tamear without obtaining the Company's written consent, provided that the termination shall be preceded by three (3) written warnings, or (iii) if Tamear becomes bankrupt or files for bankruptcy, or if a court order is issued to impose an attachment on it.

B. Facility Management Contract with Mumtalakat

Agreement	Integrated Facility Management Services Agreement
Third Party	Saudi-Korean Company for Maintenance and Properties Management (Mumtalakat)
Term of Agreement	Two (2) years starting on 01/01/2021G and ending on 31/12/2022G.
Subject Matter	The provision of integrated facility management services
Value of Agreement	SAR 82,835,340
Summary of the Key Obligations	Mumtalakat provides facility management services as directed by Al Akaria, and provides all sufficient resources to carry out such services for a number of Al Akaria's buildings and assets. Mumtalakat has several obligations, including submitting periodic reports to Al Akaria and billing on a monthly basis as well as other obligations. Al Akaria shall pay the agreed consideration according to the agreed times under the agreement.
Applicable Law	The agreement is governed by the laws of the Kingdom of Saudi Arabia.
Termination Provisions	The agreement terminates in several ways, particularly (i) upon the expiration of the contract term, (ii) by a notice of termination to be provided by Al Akaria to Mumtalakat when a material breach is committed and is not remedied by Mumtalakat, (iii) by an at least 30-day notice of termination to be provided by Al Akaria, with or without reason (provided that it shall pay any amounts owed to Mumtalakat as at the date of termination), and (iv) by the immediate termination by Al Akaria if Mumtalakat becomes insolvent, bankrupt or unauthorized to operate facility management in accordance with the Kingdom's laws.

9.9.3 Credit facility

The Company has several credit facilities. The following table shows the details of the credit facilities as at 31 March 2022G:

#	Financier	Financing Limit (SAR)	Drawdown Amount (SAR)*	Maturity Date	Provided Guarantees
1	AlJazira Bank	400,000,000	382,679,922	The maturity date is 19/07/2022G.	1. A promissory note of SAR 400,000,000 issued by the Company in favor AlJazira Bank. 2. A mortgage for land in east of Riyadh for a value of SAR 480,000,000.
2	Riyad Bank	520,000,000	520,000,000	The loan is repaid in annual installments for five years, with the first installment due being in June 2021G and the last installment due being in June 2025G, the first installment was paid on June 2021G.	1. A promissory note of SAR 747,500,000 issued by the Company in favor of Riyad Bank. 2. A mortgage for the Airport Road land in Dammam in favor of Riyad Bank, noting that it was agreed with Riyad Bank to mortgage it in full as a possession pledge. The mortgage procedures will be completed at the notary public after the title deeds are updated and converted into electronic deeds.
3	Saudi National Bank	2,068,462,224	2,068,462,224	SAR 450,000,000 to be paid on 15/05/2022G. SAR 1,618,462,224 to be paid in semi-annual installments of equal value for a period of five (5) years, with the first installment being paid on 21/11/2021G and the last installment to paid on 21/05/2026G The payment of the first installment has been postponed to 15/05/2022G.	1. A promissory note of SAR 2,275,308,446.4 issued by the Company in favor of the SNB. 2. A mortgage of Al Widyan land in favor of the SNB.
4	Saudi British Bank (SABB)	100,000,000	2,500,000	The loan is repaid in equal semi-annual installments according to the due dates under the relevant Murabaha contracts.	A promissory note of SAR 100,000,000 issued by the Company in favor of the Saudi British Bank (SABB).
5	PIF**	1,248,170,044.70	1,248,170,044.70	The loan is repaid in sixteen (16) semi-annual installments of unequal value with the first installment to be paid on 01/01/2022G and the last installment on 01/07/2029G, the first installment was paid on January 2022G.	1. A mortgage of Olaya Scheme in favor of the Public Investment Fund. The mortgage procedures are currently being completed at the notary public after the deeds are sorted and converted into updated electronic deeds. 2. A promissory note of SAR 1,306,984,340 issued by the Company in favor of the PIF. 3. A promissory note of SAR 41,823,499 issued by the Company in favor of the PIF.

* This amount represents the total amount owed by the Company.

** The Company received a letter from the PIF stating that a transfer agreement was enterd into between the PIF and the Ministry of Finance of the Kingdom of Saudi Arabia for the purpose of transferring the remaining balance of the PIF's loan amounting to SAR 1,306,984,340 and the related rights and obligations to the Ministry of Finance. The Company agreed to enforce such transfer. Accordingly, the Ministry of Finance replaced the PIF with regard to such credit facilities.

For more details about real estate properties mortgaged under the facility agreements, please see Section 9.10.3 "**Mortgages**."

9.9.4 Other Material Contracts

A. General Provisions Agreement for Development in the Diplomatic Quarter

Agreement	General Provisions Agreement for Development in the Diplomatic Quarter
Third Party	The RCRC (formerly: High Commission for the Development of Arriyadh)
Term of Agreement	It started on 22/05/1414H (corresponding to 07/11/1993G). This agreement does not have a specific effective period. However, it will operate as long as the two parties desire to cooperate with each other.
Subject Matter	The General Provisions Agreement for Development in the Diplomatic Quarter in Riyadh. Accordingly, three (3) development and acquisition instruments (detailed below) were issued.
Value of Agreement	The agreement value is determined based on the development and acquisition instruments entered into under this agreement.
Summary of the Key Obligations	This agreement is a framework agreement that regulates the general provisions governing development work in the Diplomatic District (whether on the basis of lease or ownership) and clarifies the rights and general obligations of the parties. It should be noted that any development of a specific property is governed by development and acquisition instruments for each property to be concluded by the two parties pursuant to this agreement. The key provisions of this agreement are as follow: • The developer may not dispose of the property before or after the development is completed without the prior written consent of the other party; • The developer shall incur full responsibility for the damages and losses that it (or its contractors) has been proven to have caused during the term of the agreement, and that affect lands and properties located outside or inside the development area, in addition to damages that affect public facilities; • If the developer stops using any property for at least twelve (12) consecutive months, the RCRC shall have the right to recover the property in return for the payment of the actual cost value or the market value (whichever is lower); and • The developer shall comply with the provisions and regulations of the Diplomatic District issued by the RCRC, whether before or after the agreement is concluded.
Applicable Law	The agreement is governed by the laws of the Kingdom of Saudi Arabia.
Termination Provisions	This agreement shall terminate upon the agreement of the parties or if one of the parties breaches its obligations under this agreement or any development and acquisition instrument, such as the failure to pay the rent on time. The termination provisions vary according to the nature of the development and acquisition instruments concluded for each real estate property. For more details on the termination provisions of the instruments entered into by the Company, please refer to the summary of each instrument below.

B. Development and Acquisition Instrument (the Diplomatic Quarter) No. 1

Agreement	Development and Acquisition Instrument No. 1
Third Party	The RCRC (formerly: High Commission for the Development of Arriyadh)
Term of Agreement	It started on 22/05/1414H (corresponding to 07/11/1993G) and continues for ninety-nine (99) rental years starting from the day following the expiration of the 5-year development period.
Subject Matter	Lease of land for the purpose of development and usage
Value of Agreement	The agreement value is calculated based on the annual rental value of SAR 6.20 per square meter for the first five years from the date of the first rental payment. The rental value increases by fifteen percent (15%) for every five (5) subsequent years (equivalent to 3% annually).
Summary of the Key Obligations	Al Akaria leases the property subject of the Instrument, provided that it shall develop the property during the development period (which is five (5) years) and pay the rent to the RCRC. Al Akaria shall develop the land and is responsible for arranging and organizing its contractual relationship with the tenants.
Applicable Law	The agreement is governed by the laws of the Kingdom of Saudi Arabia.
Termination Provisions	The Instrument shall expire at the end of the lease term or upon the early termination of the Instrument by a party due to the other party's breach of its obligations pursuant to the Instrument. If the agreement is terminated, the RCRC shall have the right to recover the properties and compensate the developer for the value of the facilities built on the property at their actual cost or market value (whichever is lower) or offer them for sale in an auction for the developer's account and under its responsibility.

C. Development and Acquisition Instrument (the Diplomatic Quarter) No. 2

Agreement	Development and Acquisition Instrument No. 2
Third Party	The RCRC (formerly: High Commission for the Development of Arriyadh)
Term of Agreement	It started on 20/02/1421H (corresponding to 24/05/2000G) and continues for ninety-nine (99) lease years, starting from the day following the expiration of the two-year development period.
Subject Matter	The addition of a number of lands to properties previously rented by the Company for the purpose of development
Value of Agreement	The agreement value is calculated based on the annual rental value of SAR 6.20 per square meter for the first five (5) years from the date of the first rental payment. The rental value increases by fifteen percent (15%) for every five (5) subsequent years (equivalent to three percent (3%) annually).
Summary of the Key Obligations	Al Akaria leases the property subject of the Instrument, provided that it shall develop the property during the development period (which is two (2) years) and pay the rent to the RCRC. Al Akaria shall develop the land and is responsible for arranging and organizing its contractual relationship with the tenants.
Applicable Law	The agreement is governed by the laws of the Kingdom of Saudi Arabia.
Termination Provisions	The Instrument shall expire at the end of the lease term or upon the early termination of the Instrument by a party due to the other party's breach of its obligations pursuant to the Instrument. If the agreement is terminated, the RCRC shall have the right to recover the properties and compensate the developer for the value of the facilities built on the property at their actual cost or market value (whichever is lower) or offer them for sale in an auction for the developer's account and under its responsibility.

D. Development and Acquisition Instrument (the Diplomatic Quarter) No. 3

Agreement	Development and Acquisition Instrument No. 3
Third Party	The RCRC (formerly: High Commission for the Development of Arriyadh)
Term of Agreement	It started on 13/07/1430H (corresponding to 06/07/2009G) and continues for fifty (50) rental years starting from the day following the expiration of the 5-year development period.
Subject Matter	Lease of land for the purpose of development and usage
Value of Agreement	The agreement value is calculated based on the annual rental value of SAR 10 per square meter for the first five years from the date of the first rental payment. The rental value increases by fifteen percent (15%) for every five (5) subsequent years (equivalent to three percent (3%) annually).
Summary of the Key Obligations	Al Akaria leases the property subject of the Instrument, provided that it shall develop the property during the development period (which is five (5) years) and pay the rental value to the RCRC. Al Akaria shall develop the land and is responsible for arranging and organizing its contractual relationship with the tenants.
Applicable Law	The agreement is governed by the laws of the Kingdom of Saudi Arabia.
Termination Provisions	The Instrument shall expire at the end of the lease term or upon the early termination of the Instrument by a party due to the other party's breach of its obligations pursuant to the Instrument. If the agreement is terminated, the RCRC shall have the right to recover the properties and compensate the developer for the value of the facilities built on the property at their actual cost or market value (whichever is lower) or offer them for sale in an auction for the developer's account and under its responsibility.

E. Ministry of Housing Contract

Agreement	Partnership contract with the Ministry of Housing regarding Al Dahiya Housing Project
Third Party	The Ministry of Municipal, Rural Affairs and Housing (formerly the Ministry of Housing) is represented in signing the agreement by the National Housing Company.
Term of Agreement	It started from 01/03/1442H (corresponding to 18/10/2020G) and continues until the end of all sales contracts concluded between the Company and the beneficiary or its financier (as the case may be) under the partnership contract.
Subject Matter	Providing housing units for beneficiaries of housing support outside the Ministry's lands.
Value of Agreement	There is no specific value to the agreement. Any amounts that may be paid in accordance with the agreement depend on the sales contracts that the Company enters into with the beneficiaries or their financiers.
Summary of the Key Obligations	Under the agreement, Al Akaria has several obligations, particularly: (i) Providing an introductory description of the project on the date of signing the agreement, including project information, such as its name, project land area, housing unit models in the project and their area; (ii) concluding an off-plan sale contract with each beneficiary who wishes to purchase a housing unit in the project or its financier in the approved form as stipulated in the agreement. (iii) providing all public services to the unit and the project, including the delivery of electricity and water to the housing units sold and incurring the related fees; (iv) selling, building, completing and delivering housing units to beneficiaries; and (v) Ensuring proper execution in accordance with the applicable rules of Wafi.
Applicable Law	The agreement is governed by the laws of the Kingdom of Saudi Arabia.
Termination Provisions	The agreement shall terminate upon written notice if the Company provides materially inaccurate or misleading information regarding the agreement, if it is liquidated or bankrupt, or if it breaches any of its obligations under the agreement and such breach is uncorrectable or it fails to remedy the breach within fifteen (15) days of the receipt of a written notice from the Ministry requiring the Company to remedy the breach.

F. Infrastructure Agreement for Al Akaria Park

Agreement	Infrastructure Design and Implementation for Al Akaria Park
Third Party	Mohammad Al-Ojaimi Contracting Group
Term of Agreement	15 months, starting from 09/07/1443H (corresponding to 10/02/2022G).
Subject Matter	Designing and implementing the infrastructure of the Company's land in Al Qadsiah in Riyadh.
Value of Agreement	SAR 119,803,976, paid by monthly installments depending on the completed work.
Summary of the Key Obligations	Under the agreement, Al Akaria has several obligations, particularly: (i) paying the consideration in full during the time periods specified in the agreement; (ii) delivering the site to the contractors, and (iii) issuing the final receipt certificate after concluding the construction work. The contractor has several obligations, particularly, (i) designing and implementing construction work on the Company's land in Al Qadsiah in Riyadh and it includes road work, paving the streets, extension of electricity networks, street lighting, phone networks, water networks, fire-fighting, and sewage networks, and flood drainage networks for the duration agreed on in the agreement, (ii) providing an engineer responsible for keeping up with the operations, and (iii) correcting any malfunctions or damage within 12 months (guarantee year) from the end of the operations.
Applicable Law	The agreement is governed by the laws of the Kingdom of Saudi Arabia.
Termination Provisions	The agreement shall terminate upon written notice from the Company in case the contractor breaches any of the provisions of the agreement such as giving up on the agreement, failure to start the operations, stooping operations, failure to provide workers and machinery, assigning the agreement without the Company's consent, or in cases of force majeure.

9.9.5 Lease agreements

Except for the real estate properties in the Diplomatic Quarter (see Section 9.9.4 above), the Company does not rent any other real estate properties. The Company leases residential units and shops to several tenants. The following is a list of the top ten tenants based on rental value:

Table No. (77): Key Tenants

#	Lessee	The annual total value of contracts (SAR)
1	King Abdullah City for Atomic and Renewable Energy (commercial lease)	32,578,858
2	Arabian Internet and Communications Services Co. (STC Solutions) (commercial lease)	17,684,675
3	US Embassy in Riyadh (residential rental)	8,420,414
4	Arab National Bank (commercial lease)	4,657,404
5	TATA Consultancy Services Limited (residential and commercial lease)	4,500,291
6	Saudi Commission for Health Specialties (commercial lease)	4,460,370
7	Presidency of State Security (residential lease)	3,811,930
8	Tamkeen Technologies (commercial lease)	3,352,308
9	Space Orbit Trading Company (commercial lease)	3,269,262
10	Ministry of Interior (residential lease)	1,387,892

9.9.6 Material Contracts and Transactions of the Subsidiaries

There is a number of material contracts entered into by Binyah with other parties, as follows:

#	Third Party	Subject Matter	Value of Agreement	Term of Agreement
1.	Diriyah Gate Development Authority	The implementation of infrastructure works for Wadi Hanifa.	SAR 375,707,487.77	It started on 08/02/1443H (corresponding to 15/09/2021G) and its term is 478 days. It includes a 10-year warranty following the construction.
2.	Misk City Company	The design and implementation of a bridge and tunnel for the entrance to Misk City and its facilities, in addition to earthworks related to the project	SAR 233,465,630	It started on 20/02/2020G and the agreed date for the completion of work is 31/01/2022G in addition to a warranty period that lasts up to 365 days after the completion of work.
3.	Misk City Company	An agreement to establish an infrastructure for the first phase of Misk City.	SAR 278,959,138.16	It started on 15/04/2021G and the agreed date for the completion of work is 15/04/2023G, in addition to a warranty period that lasts up to 365 days after the completion of work.
4.	AMAALA	The implementation of the initial general site works that precede the development of resorts, the initial works of site cleaning and clearance, excavation and backfilling, construction and paving of temporary roads, and all necessary works to prepare the site for the general development works in the site.	SAR 190,020,396	It started on 20/02/2021G, and the agreed date for the completion of work is 05/05/2022G.

9.9.7 Credit facility Contracts with the Subsidiaries

The Subsidiaries have credit facilities. The following table shows the details of these facilities as at 31 March 2022G:

Table No. (78): Credit facilities granted to the Subsidiaries

#	The Company	Financier or Facility Provider	Financing Limit (SAR)	Total Drawdown Amount (SAR)	Guarantee
1	Binyah	Riyad Bank	149,700,000	85,654,845.36[*]	A joint payment guarantee issued by Al Akaria at 60% and Mohammed Ali Al Swailem Trading and Contracting Company by 40%, according to the declaration signed by them on 12/05/1441H (corresponding to 07/01/2020G). The assignment and endorsement of assignment of the proceeds of the financed projects in favor of Riyad Bank, for which the final letters of guarantee and advance payment letters of guarantee are provided by the Bank. A promissory note issued by Binyah in favor of Riyad Bank with a value of SAR 152,850,000, with a reserve guarantee provided by Al Akaria at 60% of the total indebtedness, and a reserve guarantee provided by Mohammed Ali Al Swailem Trading and Contracting Company at 40% of the total indebtedness.
2	Binyah	Bank Albilad	150,000,000	108,912,722.18[*]	The assignment and endorsement of assignment of the proceeds of the financed projects in favor of Albilad Bank, for which final letters of guarantee and advance payment letters of guarantee provided by the Bank. A promissory note of SAR 153,000,000 issued by Binyah in favor of Albilad Bank.
3	Tamear	Al Akaria	3,500,000	2,000,000[**]	N/A
4	Tamear	Al Akaria	4,000,000	999,171.85[**]	N/A

[*] These amounts represent a guarantee issued by the Bank in favor of Binyah. They do not represent borrowed amounts. Accordingly, these amounts are a contingent liability for Binyah.

[**] This amount represents the total amount owed by Tamear.

9.10 Real estate assets

9.10.1 The Company's Real Estate Assets

The Company owns several properties, detailed as follows:

Table No. (79): The Company's Real Estate Assets

#	Real Estate Asset	Deed No.	Deed Date	City	Land Use	Total land area (m^2)	Notes
1	Plot No. 4/A in Al-Narjis District in Plan No. 2737	310104041457	23/01/1443H	Riyadh	Commercial - Residential	40,000	N/A
2	La Casa Residential Project - Plot No. 20/A in Al-Narjis District in Plan No. 2737	510121016462	04/07/1431H	Riyadh	Commercial	25,570.37	N/A
3	L'Avenir Project - Plot No. 416, Al-Aqeeq District, Plan No. 2837	310105059581	18/04/1442H	Riyadh	Commercial	25,500	It has been transferred to Alinma Real Estate Fund as part of the Company's investment in the Fund.
4	Plot No. 52, Plan No. 315, Al-Zahraa District	393523000596	01/01/1442H	Riyadh	Commercial	4,914.61	
5	Plot No. 39, Plan No. 315, Al-Zahraa District	893523000595	01/01/1442H	Riyadh	Commercial	4,942.06	
6	Riyadh Hills, Plot No. 56, Plan No. 3175, Al Malqa District	510105059582	18/04/1442H	Riyadh	Commercial - Residential	21,575.12	

Table of Contents

#	Real Estate Asset	Deed No.	Deed Date	City	Land Use	Total land area (m²)	Notes
7	A plot of land, Plan No. 3090, Al-Rabie District	810121016205	01/07/1431H	Riyadh	Educational facility for school building	9,450	N/A
8	Plot numbers 7 and 8, Plan No. 2781/A, Al-Ared District	3/59224	20/11/1427H	Riyadh	Commercial	30,000	The land cannot be developed currently as the work therein is suspended according to the digital map of the Riyadh Municipality. The Company is currently coordinating to identify the reasons for such suspension.
9	Plot No. 141, Plan No. 3115, Cordoba District	N/A	N/A	Riyadh	Educational facility for school building	4,310.75	The Company is in the process of obtaining the deed. Having completed the survey procedures, the Company has a survey decision.
10	Plot No. 10, Plot No. 3115, Cordoba District	510112046867	03/04/1438H	Riyadh	Commercial	3,535	N/A
11	Plot No. 11, Plot No. 3115, Cordoba District	910112046866	03/04/1438H	Riyadh	Commercial	3,535	N/A
12	Plot No. 12, Plot No. 3115, Cordoba District	310106055243	23/03/1438H	Riyadh	Commercial	3,439	N/A
13	Plan No. 2879, Olaya District	8/15 - 3/14A	10/04/1397H	Riyadh	Residential - commercial	418,465.29	The deed was split and five electronic deeds were issued. The process of splitting the remaining plots of the plan and converting it into electronic deeds is ongoing. It should be noted that the completion of sorting all plots may be delayed due to the difference in the building area from the approved area in the building plan.
14	Al Akaria Business Center II, Plot No. 258, Plan No. 2879, Olaya District	410156000601	25/01/1443H	Riyadh	Commercial	15,737.1	N/A
15	Al Akaria Business Center III, Plot No. 257, Plan No. 2879, Olaya District	310156000598	25/01/1443H	Riyadh	Commercial	13,150.14	N/A
16	Al Akaria Plaza Center, Plot No. 256, Plan No. 2879, Olaya District	310156000602	25/01/1443H	Riyadh	Commercial	19,397	N/A
17	Plot No. 13, Plan No. 3471, Benban District	710120044517	05/05/1439H	Riyadh	Raw Land	871,597.87	The land is currently undevelopable due to overlapping with the Saudi Aramco's pipelines.

#	Real Estate Asset	Deed No.	Deed Date	City	Land Use	Total land area (m^2)	Notes
18	Plot No. 15, Plan No. 3471, Benban District	710107048076	05/05/1439H	Riyadh	Raw Land	519,059.73	The land is currently undevelopable as its suspended deed is being resolved. The competent authorities are being approached in this regard.
19	A plot of land, Salboukh Road, Benban District -Benban (1)	310106000405	26/11/1427H	Riyadh	Raw Land	648,188.96	
20	A plot of land for workers' accommodation, Benban District - Benban (2)	2/1414	27/01/1415H	Riyadh	Raw Land	596,700	N/A
21	Plot numbers 5 to 8, Plan No. 315, Al-Zahraa District	13/7818	29/10/1424H	Riyadh	Residential	2,241	N/A
22	Al Akaria Business Center XXX, Plot No. 91, Plan No. 315, Al-Zahraa District	310156000153	08/05/1442H	Riyadh	Commercial	9,325	N/A
23	Al Dahiya Project, Plot numbers 18 to 292, Plan No. 3319, Al-Rimal District	Several deeds	Several deeds	Riyadh	Residential - commercial	430,726.28	It should be noted that 40% of the land area is allocated for urban planning (which includes streets, pedestrian paths, municipal facilities, parks, mosques, etc.), according to the Riyadh Municipality's overall plan of the site.
24	Al Widyan Land, Plot No. 23/B/1, Plan No. 152, Al Malqa District	398528002397	16/08/1442H	Riyadh	Raw Land	6,988,106.35	The Royal Commission for Riyadh City (RCRC) requested the Company to suspend development work on Al Widyan land, until the competent authorities completed the planning work and other related procedures. The issue has not yet been decided upon as it is still uncertain
25	Land No. 9, Airport Road	330125001038	03/08/1442H	Dammam	Raw Land	7,883,932	Only 50% is owned by Al Akaria.
26	Plot No. 1/2, the Second Industrial City	1/426/13	23/03/1425H	Dammam	Raw Land	957,652.00	The land is currently undevelopable as it is owned under a suspended deed. The competent authorities are being approached in this regard.
27	Plot No. 2/2, the Second Industrial City	1/426/14	23/03/1425H	Dammam	Raw Land	957,651.52	N/A
28	Plot No. 2/3, the Second Industrial City	1/426/15	23/03/1425H	Dammam	Raw Land	949,648.45	
29	Plot No. 2/4, the Second Industrial City	1/426/16	23/03/1425H	Dammam	Raw Land	934,802.20	
30	Plot No. 2/5, the Second Industrial City	1/426/17	23/03/1425H	Dammam	Raw Land	937,937.17	
31	Plot No. 2/6, the Second Industrial City	1/426/18	23/03/1425H	Dammam	Raw Land	937,938.58	

#	Real Estate Asset	Deed No.	Deed Date	City	Land Use	Total land area (m^2)	Notes
32	The Gate Project, Plot No. 1, Al-Nahda District	320215020216	08/06/1435H	Jeddah	Commercial	49,800.08	N/A
33	City II, Part I	540113006270	10/02/1441H	Madina	Raw Land	94,475.15	N/A
34	City II - Part II	940112018066	10/02/1441H	Madina	Raw Land	62,805	N/A
35	Plot No. 19, Qassim Road	9 / 1 / 19	17/06/1426H	Madina	Raw Land	87,750.60	N/A
36	Plot No. 29, Qassim Road	9 / 1 / 29	21/04/1429H	Madina	Raw Land	1,578.28	N/A
37	City I, a plot of land, King Abdulaziz Road	340109016930	11/07/1439H	Madina	Raw Land	63,493.34	N/A
38	East of Riyadh Land, Plan No. 2955 in Al Qasidah	399071000624	22/06/1443H	Riyadh	Raw Land	1,913,399.61	N/A

Source: The Company

The Company managed to convert most of its land title deeds into electronic deeds, which gives it greater power of proof than paper title deeds. However, the Company still has twelve (12) paper title deeds that have not yet been converted into electronic ones. For more details about the related risks in this regard, please see Section 2.1.29 "**Risks related to paper title deeds**."

It should be noted that the Subsidiaries do not own any real estate assets.

9.10.2 Real Estate Assets not Owned by the Company

Other than the real estate properties located in the Diplomatic Quarter, the Company does not rent, use or manage any other real estate properties. For more information on acquisition and development contracts for lands in the Diplomatic Quarter, please see Section 9.9.4 "**Other Material Contracts**."

9.10.3 Mortgages

The Company mortgaged several real estate assets as security for credit facilities as follows:

Table No. (80): Mortgages

#	Land	Deed No.	Deed Date	Land Use	Total land area (m2)	Mortgage
1	Plan No. 2879, Olaya District	8/15 - 3/14A	10/04/1397H	Residential - commercial	418,465.29	A mortgage of the Olaya Plan in favor of the Public Investment Fund. The mortgage procedures are currently being completed at the notary public after the deeds are sorted and converted into updated electronic deeds.
2	Al Widyan Land, Plot No. 23/B/1, Plan No. 152, Al Malqa District	398528002397	16/08/1442H	Raw Land	6,988,106.35	It is fully mortgaged to the SNB in return for credit facilities.
3	Airport Road Land, Dammam	330125001038	03/08/1442H	Raw Land	7,883,932	It was agreed with Riyad Bank to fully mortgage it as a possession pledge. The mortgage procedures will be completed at the notary public after the title deeds are updated and converted into electronic deeds.
4	East of Riyadh Land, Plan No. 2955 in Al Qasidah	399071000624	22/06/1443H	Raw Land	1,913,399.61	It is fully mortgaged to AlJazira Bank in return for credit facilities.

9.10.4 White Lands

The Royal Decree No. M/6 was issued on 12/02/1437H (corresponding to 25/11/2015G), approving the White Land Fee Law which gradually entered into force based on area and ownership. In general, the Law provides for an annual fee of 2.5% of the land value on White Lands. White Lands are any vacant land within the boundaries of the urban zone intended for residential or commercial residential use.

The Company has several plots of land classified as White Lands for the purpose of the White Land Fee Law. The fees on such plots of land are calculated on an annual basis. The current cycle started on 23/07/1443H (corresponding to 22/02/2022G).

The total amount of invoices and fines issued to the Company in relation to the White Land fees was SAR 211,599,657. The Company managed to obtain final judgments canceling SAR 188,214,780 from such fees and fines. With regard to the remaining amounts, a final judgment was issued against the Company for Al Widyan's land in the second session in the amount of SAR 21,653,572 fully paid by the Company to the Ministry of Municipal, Rural Affairs and Housing, and a fee was imposed on the Jeddah land for the current cycle for an amount of SAR 1,731,305 which the Company filed an objection against.

Below are the details of the lands owned by the Company and currently classified as White Lands, and the details of the fees for the fifth cycle (which ended on 22/07/1443H (corresponding to 21/02/2022G)) and for the current sixth cycle (which began on 23/07/1443H (corresponding to 22/02/2022G)):

Table No. (81): White Lands

#	Land	Deed No.	Deed Date	Land Use	Total land area (m2)	Liabilities
1	Al Widyan Land, Plot No. 23/B/1, Plan No. 152, Al Malqa District, Riyadh	398528002397	16/08/1442H	Raw Land	6,988,106.35	There is no fee for the fifth cycle due to a final judgment rescinding the fee. The Company expects that fees will not be imposed for the current cycle due to the cancellation of the fees by a ministerial resolution and the existence of material obstacles preventing the development of the land.
2	Plot No. 1, Al-Nahda District, Jeddah	320215020216	08/06/1435H	Commercial	49,800.08	A final judgment was issued to cancel the fee for the fifth cycle due to obstacles in development. A fee of SAR 1,731,305 was imposed for the current sixth cycle and the Company filed an initial objection against it.

For more details on the risks related to White Land fees, please see Section 2.2.8 "**Risks related to White Land fees**."

9.11 Lawsuits and Claims

Al Akaria is party to several cases, as set out below.

9.11.1 Lawsuits and Claims Related to the Company

As of 31 March 2022G:

There is one lawsuit filed against the Company (as a defendant), by Northstar Information System Technologies before the Commercial Court in relation to a dispute over an agreement for implementing one of its projects with a value of SAR 2,669,152.

As for the cases filed by the Company (as a plaintiff), there are about thirty (30) lawsuits filed by the Company against other parties regarding real estate rent, real estate eviction and rent arrears, which are filed in the ordinary course of the Company's business. The total amounts claimed are about SAR 10,238,918. As this amount is approximate, the total amount of the claims may be higher or less than such amount. It should be noted that Al Akaria did not make any financial provision in this regard, nor did it write off or cancel the indebtedness with respect thereto.

There are also four material lawsuits filed by the Company (as a plaintiff) detailed as follows:

- **Al Bayan Instrument Case:** The Company invested in debt instruments issued by Al Bayan Holding Group (in the form of financing sukuk). Al Bayan Holding Group did not pay the amounts due to Al Akaria as one of the sukuk holders. The Company filed a lawsuit before the Commercial Court against Al Bayan Holding Group, requesting the return of an investment amount of SAR 187,500,000. A preliminary judgment was issued against the Company, refusing the lawsuit for lack of capacity, which was upheld in the appeal. The Company challenged the judgment by way of cassation before the Supreme Court in Riyadh. The Supreme Court rejected the cassation, the Company then submitted a petition for review for the decision for rejecting to the cassation, which is still under consideration, furthermore, the Company filed a lawsuit againt guarantor of invetsments for its investment amount which is still subject under the consideration of the Commercial Courts. Noting that the Company made a provision for the entire amount.

- **Limitless Case:** Having obtained a final judgment in favor of Al Akaria against the Limitless-Saudi Arabia regarding a dispute between the two parties related to the investment of Al Akaria in real estate properties owned by the Limitless-Saudi Arabia, and having obtained a final judgment against the Limitless-Saudi Arabia that is required to refund the paid investment amounting to SAR 50,000,000, Al Akaria filed a lawsuit to obtain attorney's fees of SAR 73,206,064 against the Limitless-Saudi Arabia. An initial judgement dismissing the case which Al Akaria objected on.This case is still pending, and no financial provision has been made for the same.
- **Al Widyan Land Case:** The Company has an existing case against the Limitless Real-Estate Development Company-Saudi Arabia (Limitless-Saudi Arabia) related to the Al-Widyan Land that Al Akaria purchased from the Limitless. Under this lawsuit, Al Akaria claims for compensation from the Limitless in relation to the differences in the area. The Company claims that the area transferred to it is less than the sold area that is agreed upon with the Limitless. The total amount of the claim is SAR 19,141,007. This case is still pending, and no financial provision has been made for the same.
- **Claims of Agreement Reciveable Case:** The Company has an existing case against a government entity in relation to a project for the entity with a total amount of SAR 15,094,015. Noting that the Company made a provision for the year 2020G.

Furthermore, there is an ongoing objection by the Company in relation to While Lands fees for the current cycle. For more details on this, please see Section 9.10.4 "**White Lands**".

9.11.2 Zakat Cases Related to the Company

The Company settled all Zakat assessments with regard to the years prior to 2016G. With regard to the years 2016G to 2020G, the Zakat, Tax and Customs Authority (ZATCA) required the Company to pay Zakat differences estimated at about SAR 52,727,868. The Company objected to the claims of the ZATCA before the General Secretariat of Tax Committees. The Company's objections are still being considered by the General Secretariat of Tax Committees and have not yet been decided upon.

For more details about the Zakat and tax position of the Group, please see Section 9.12 "**Zakat Position of the Group**," and for more details about the related risks in this regard, please see Section 2.1.40 "**Risks related to the Zakat status**."

9.11.3 Enforcement Cases

- As at 31 March 2022G, the Company has about 26 final judgments issued in its favor and promissory notes in which the debtor has not paid the amount. The Company is still in the process of collecting such amounts, noting that most of these cases are related to fee collection and filed in the ordinary course of the Company's business. The total amounts owed to the Company are about SAR 5,896,778. No financial provision was made for them, and no debt was written off or canceled with respect thereto.
- There are no final judgments issued against the Company that have not been enforced.

9.11.4 Lawsuits and Claims Related to the Subsidiaries

As at 31 March 2022G, Al Akaria's Subsidiaries are not a party to any lawsuits or litigations.

Except as described in this Section 9.11 "**Lawsuits and Claims**" and Section 9.14.2 "**Trademark Disputes**," the Directors confirm that the Company and its Subsidiaries are not subject to any lawsuits or claims that may materially affect, individually or wholly, the business or financial position of the Company and its Subsidiaries.

9.12 Zakat Position of the Group

The Group is subject to Zakat and tax requirements in the Kingdom. Any increase of Zakat charges and/or tax requirements applicable to the Group may adversely affect its profitability. The Company settled all the Zakat assessments for the financial years prior to 2016G. Therefore, the Company does not have any dues to ZATCA for such years. As for the years from 2016G and onwards, ZATCA claimed additional Zakat dues as follows:

Table No. (82): Zakat Differences

The Company and its Subsidiaries (consolidated)	2016G*	2017G*	2018G*	2019G**	2020G**	Total All Years
Claimed and disputed Zakat differences	5,014,254.81	15,631,725	8,701,937.5	11,235,778,69	12,144,172	52,727,868
Provision coverage ratio	100%	100%	100%	100%	100%	100%

*The Company objected to this increase and the case is now being considered by the General Secretariat of Tax Committees. No judgment has been issued yet.

** The Company filed an initial objection. An initial partial acceptance has been obtained and the Company is in the process of objecting on the remaining items.

The Company has covered all potential differences in the Zakat provisioning. For more details on the related risks in this regard, please see Section(2) "**Risk Factors**."

9.13 Penalties and Fines

- The total penalties and sanctions imposed on the Company in 2019G amounted to SAR 101,729, as detailed below: SAR 20,000 imposed by the Capital Market Authority due to the non-disclosure of material developments that should have been disclosed, SAR 80,000 by the Civil Defense for violations of civil defense regulations and requirements, and a fine of SAR 1,729 for the delay in paying the VAT tax.
- In 2020G, a fine of SAR 30,000 was imposed by the MHRSD due to non-compliance with the precautionary measures.
- In 2021G, fines of SAR 306,000 were imposed due to violations of municipal regulations and requirements.
- The Company paid all such fines, and it has no outstanding fines.

9.14 Intellectual Property

9.14.1 Trademarks Owned by the Company and its Subsidiaries

As at the date of this Prospectus, the Company and its Subsidiaries registered a number of trademarks for their businesses. There are 6 trademark registration certificates issued inside the Kingdom and registered in the name of the Company and its Subsidiaries. The following are the trademarks details. It is worth noting that that the Company is in the process of registering a trademark for Al Akaria Park.

Table No. (83): The Group's Trademarks

Trademark	Trademark Owner	Country	Class	Registration No.	Registration Date	Status	Protection Expiration Date
العقارية AL AKARIA Sudi Real Estate Company العقارية AL AKARIA الشركة العقارية السعودية	Al Akaria	Kingdom of Saudi Arabia	37	1440002763	09/04/1440H	Effective	26/01/1450H
لاكازا LA CASA	Al Akaria	Kingdom of Saudi Arabia	37	1440025566	06/01/1441H	Effective	19/10/1450H

Trademark	Trademark Owner	Country	Class	Registration No.	Registration Date	Status	Protection Expiration Date
بنية BINYAH	Binyah	Kingdom of Saudi Arabia	37	1440004817	02/05/1440H	Effective	21/02/1450H
تعمير TAMEAR Sudi Real Estate Construction Company تعمير TAMEAR الشركة العقارية السعودية للتعمير	Tamear	Kingdom of Saudi Arabia	37	1440018413	08/10/1440H	Effective	18/07/1450H
ممتلكات MUMTALAKAT	Mumtalakat	Kingdom of Saudi Arabia	37	1441027693	19/03/1442H	Effective	01/11/1452H
AL WIDYAN الوديان	Al Widyan	Kingdom of Saudi Arabia	37	1441009977	08/07/1441H	Effective	03/04/1451H

Source: The Company

9.14.2 Trademark Disputes

The Company filed a complaint against a third party regarding the use of the one of its trademarks before the trademarks department at the Ministry of Commerce. The complaint is still pending. The Company filed a complaint to stop the use of the trademark. However, it did not claim for any financial compensation and the Company does not believe that this violation will materially affect its business or financial position. For more details on the related risks in this regard, please see Section 2.1.6 "**Risks related to intellectual property rights**."

9.14.3 Websites

The Company and its Subsidiaries officially registered the domains of several websites as a Saudi domain with the Saudi Network Information Center at the Communications and Information Technology Commission, which are Tamear.com.sa, Binyah.com.sa, Mumtalakat.com.sa, Sakom.com.sa, and Al-akaria.com.

9.15 Insurance

The Company and its Subsidiaries maintain insurance policies that cover various types of risks that may face them. The following table summarizes the key particulars of the insurance policies held by the Company and its Subsidiaries:

Table No. (84): Insurance

Insurance Company	Insured	Scope	Coverage Expiration Date	Status
Bupa Arabia for Cooperative Insurance	Al Akaria	Medical insurance	31/12/2022G	Effective
Al Rajhi Company for Cooperative Insurance	Al Akaria	Property insurance including business interruption	06/01/2023G	Effective
Al Rajhi Company for Cooperative Insurance	Al Akaria	Insurance against terrorist incidents and sabotage	06/01/2023G	Effective
Al Rajhi Company for Cooperative Insurance	Al Akaria	General commercial liability insurance	06/01/2023G	Effective
Allianz Saudi Fransi Cooperative Insurance Company	Al Akaria	General third party liability insurance within the properties	24/10/2022G	Effective
Tawuniya Insurance Company	Al Akaria	Liability Insurance for Managers and Directors	31/12/2022G	Effective
The Mediterranean & Gulf Cooperative Insurance & Reinsurance Co. (MEDGULF)	Al Akaria	Motor insurance	11/01/2023G	Effective
Bupa Arabia for Cooperative Insurance	Mumtalakat	Medical insurance	31/12/2022G	Effective

Table of Contents

Insurance Company	Insured	Scope	Coverage Expiration Date	Status
Bupa Arabia for Cooperative Insurance	Tamear	Medical insurance	31/12/2022G	Effective
Malath Cooperative Insurance Company	Tamear	Motor insurance	23/03/2023G	Effective
Bupa Arabia for Cooperative Insurance	Binyah	Medical insurance	31/12/2022G	Effective
The Mediterranean & Gulf Cooperative Insurance & Reinsurance Co. (MEDGULF)	Binyah	Motor insurance	31/03/2023G	Effective
Alinma Tokio Marine Company	Binyah	Employee compensation, construction and equipment insurance and third party construction and equipment insurance (Diriyah Project)	13/09/2022G	Effective
United Cooperative Insurance	Binyah	All-risk contractor insurance (AMAALA Project)	22/05/2022G	Effective
United Cooperative Insurance	Binyah	Employee compensation insurance (AMAALA Project)	22/05/2022G	Effective
United Cooperative Insurance	Binyah	Employee compensation insurance (Red Sea Project)	03/11/2022G	Effective
Al-Rajhi Company for Cooperative Insurance	Binyah	Employee compensation insurance (Misk Tunnel Project)	15/05/2022G	Effective
Al-Rajhi Company for Cooperative Insurance	Binyah	All-risk contractor insurance (Misk Tunnel Project)	15/05/2022G	Effective
Al-Rajhi Company for Cooperative Insurance	Binyah	Professional liability insurance (Misk Tunnel Project)	15/05/2022G	Effective
Tawuniya	Binyah	Employee compensation insurance (Misk Infrastructure Project)	14/04/2023G	Effective
Tawuniya	Binyah	All-risk contractor insurance (Misk Infrastructure Project)	14/04/2023G	Effective
Tawuniya	Binyah	Professional liability insurance (Misk Infrastructure Project)	14/04/2023G	Effective
Tawuniya	Binyah	All-risk contractor insurance (Misk Infrastructure Project - Cooling Distribution)	14/04/2023G	Effective
Tawuniya	Binyah	Employees professional liability insurance (Misk Infrastructure Project - Cooling Distribution)	14/04/2023G	Effective

Source: The Company

9.16 Material Changes to Information Disclosed in the Most Recent Prospectus

The following is a summary of the key material changes to the information disclosed in the most recent prospectus approved by the CMA, which was the Company's rights issue prospectus issued on 24/08/1427H (corresponding to 17/09/2006G):

- **Bylaws**: The Company's bylaws have been amended four (4) times by the Company's EGM held on 12/04/2010G, 06/04/2017G,28/06/2018G, and 04/04/2021G including amendments to align with the amendments introduced to the Companies Law.
- **Share Capital**: On 14/10/1439H (corresponding to 28/06/2018G) the Company's EGM approved the increase of its capital from SAR 1,200,000,000 to SAR 2,400,000,000 through the issuance of bonus shares.
- **Subsidiaries**: The Company has established seven (7) subsidiaries since the issuance of its last prospectus. For more detail in relation to the Company's subsidiaries please see Section 3.10 "**Subsidiaries**". In addition to the changes in the Company's investment in other companies, for more details in relation to the Company's current investments in companies and investment funds, please see Section 3.11 "Other **Other Investees**".
- **Financial Statements**: The Company has amended its Financial Statement according to the IFRS. for more details in regarding financial information and management discussion and analysis, please refer to Section 5 "**Management's Discussion and Analysis of Financial Condition and Results of Operations**".
- **The Strategy**: The Company has adopted a new strategy in relation to its activities, vision, and mission. For more details in relation to the Company's mission and current strategy please see Section 3.4 "**Mission and Strategy**".
- **Board of Directors, Committees, Executive Management, and Employees**: Changes has occurred to the composition of the board and its committees, Senior Executives and the employees. Additionally, the Company has established an Executive Committee and Nomination and Renumeration Committee and it has dissolved its Lands and Investments Committee. For more details regarding the Board of Directors and its committees, executive management, and employees, please see to Section 4 "**Organizational Structure of the Company**".

- **Projects**: The Company constructed a number of projects, for more details please see to Section 3.8.2 "**Projects**".
- **Lands**: The Company has bought a number of new lands and has sold a few. Additionally, it has mortgaged a number of its lands in its ordinary course of business in exchange for credit facilities, for more details in relation to lands currently owned by the Company, please see section 9.10 "**Real estate assets**".
- **Material Agreements**: The Company has entered into a number of material agreements such as finance agreements and construction agreements. For more details regarding the Company's current agreements please refer to Section 9.9 "**Material Contracts**".
- **Litigation**: The Company became a party to a number of disputes. For more information, please refer to Section 9.11 "**Lawsuits and Claims**".
- **Licenses**: The Company has obtained a number of licenses due to regulatory developments such as VAT implementation. For more details regarding the Company's licenses please refer to Section 9.7 "**Government Certificates, Approvals and Licenses**".
- **Use of Proceedings**: The total proceedings from the last rights issue transaction, approved by the EGM on 24/08/1427H (corresponding to 17/09/2006G) equal a total of SAR 1,560,000,00, through which the company increased its capital from SAR 600,000,000 to SAR 1,200,000,000 by way of a rights issue and the issuance of rights issue amounting to 30,000,000 shares with a nominal value of (10) riyals per share at an offer price of SAR 52 (including a nominal value of SAR 10 and a premium of SAR 42). For more details in relation to the disclosed uses, actual uses, the differences and the reasons for such differences, please see Section 6.3 "**Total Proceeds in the Last Rights Issue and its Analysis**".

This section is only a summary of the key material changes to the information disclosed in the most recent prospectus approved by the CMA and does not contain all information that may be of interest to Shareholders and other individual or Institutional Investors. Accordingly, the Recipients of this Prospectus must read this Prospectus in full before making an investment decision regarding the Rights or New Shares. The "**Important Notice**" section and Section 2 "**Risk Factors**" of this Prospectus should be considered prior to making any investment decision relating to the Rights or the New Shares.

10. Underwriting

The Company and the Underwriter entered into an underwriting agreement to underwrite one hundred thirty-five million (135,000,000) new shares at an Offer Price of SAR 11.8 per share, representing 100% of the Rights Shares offered for subscription.

10.1 Underwriter

The details of the Underwriter for the Offering are set out in the table below.

Table No. (85): Details of the Underwriter

Underwriter
SNB Capital P.O. Box 22216, Riyadh 11495 Kingdom of Saudi Arabia Tel.: +966920000232 Fax: +966 11 4060052 Website: www.alahlicapital.com E-mail: snbc.cm@alahlicapital.com

10.2 Summary of Underwriting Agreement

The main terms and conditions of the Underwriting Agreement include the following:

- The Company undertakes to the Underwriter that at the date of the allocation, it shall issue and allocate to the Underwriter all the underwritten New Shares that are not subscribed for during the Offering Period at the Offer Price.
- The Underwriter undertakes to the Company that at the date of the allocation, it will purchase the underwritten shares that were not subscribed for during the Offering Period at the Offer Price.
- The Underwriter shall receive a fee in return for its undertaking to underwrite the subscription, which shall be paid from the proceeds of the Offering (for more details about the Offering expenses, please see Section 6 "**Offering Proceeds**" of this Prospectus).
- The Underwriter's obligation to purchase all shares that were not subscribed for during the Offering Period is subject to all terms and conditions of the Underwriting Agreement, which include provisions relating to the fulfillment of the conditions precedent and the termination of the agreement.
- The Company provided the Underwriter with several guarantees, representations and covenants that such agreements typically includes.

The details of the shares to be underwritten are as follows:

Table No. (86): Details of shares to be underwritten

No. of Shares Underwritten	135,000,000
Offer Price	11.8
Total Offering Amount to be Underwritten	1,593,000,000
The ratio of underwritten shares out of the total value of the Offering	100%

11. Waivers

The Company has not received any waivers from the CMA in relation to the Offering.

12. Details on Shares and Subscription Terms and Conditions

The Company has submitted an application to the CMA to register and offer the New Shares, and submitted an application to the Saudi Exchange to list the same. All requirements under the ROSCOs and the Listing Rules have been satisfied.

All Eligible Persons and Institutional Investors should carefully read the terms, conditions and instructions of the Subscription before submitting the Subscription Application or filling out the Bid Form. The submission of the Subscription Application Form or the signing and delivery of the Bid Form constitutes approval and acceptance of the Subscription Terms and Conditions.

12.1 Offering

Under this Prospectus, one hundred thirty-five million (135,000,000) Ordinary Shares representing 56.25% of the Company's capital before the capital increase shall be offered at an Offer Price of SAR 11.8 per share with a nominal value of ten (10) Saudi Riyals. The total value of the Offering is one billion five hundred and ninety-three million (1,593,000,000) Saudi Riyals. The New Shares will be issued at a ratio of 0.5625 New Share per existing share. The subscription to the New Shares will be entitled to Eligible Persons.

How to apply for the Rights Shares

The Eligible Persons wishing to subscribe to the Rights Shares shall submit the Subscription Application during the Subscription Period through the investment portfolio on trading platforms through which the sale and purchase orders are entered. In addition, subscription can be made through any other means provided by the broker in the Kingdom during the Subscription Period. In the event that the Eligible Persons do not exercise their right to subscribe to the New Shares at the end of the Subscription Period, the Rump Shares will be offered to the Institutional Investors during the Rump Offering Period.

The number of shares that an Eligible Person may subscribe for shall be determined based on the number of the Rights owned by such Eligible Person. The subscription amount that a Subscriber shall pay is calculated by multiplying the total number of Rights by the Offer Price of SAR 11.8.

By submitting the Subscription Application Form, the Subscriber declares that:

- agrees to subscribe for the Company's Shares in the number of such Shares specified in the Subscription Application Form;
- the Subscriber has read this Prospectus and all of its contents, and has carefully examined and understood its content;
- the Subscriber accepts the Company's Bylaws and the terms mentioned in the Prospectus;
- the Subscriber has not previously submitted an application for subscription in the same shares subject of the subscription application, and the Company has the right to reject all repeated subscription applications;
- the Subscriber accepts the number of Shares allocated thereto and all other subscription instructions and terms described in this Prospectus and the Subscription Application Form; and
- the Subscriber will ensure that the subscription application shall not be canceled or amended after its submission.

12.2 Trading Period, Offering Period and Rump Offering Period

The Rights are an acquired right for all shareholders registered in the Company's register with Edaa as at the end of the second trading day following the date of the Extraordinary General Assembly ("**Registered Shareholders**"). The Rights will be calculated based on the number of shares owned by the Registered Shareholders according to the Rights Issue Ratio. Based on the Rights Issue Ratio, 0.5625 Right will be allocated for each Share owned by the Registered Shareholder on the Eligibility Date. Each Right grants its holder the right to subscribe for one New Share at the Offer Price. The Rights will appear in the portfolios of the Registered Shareholders under a new symbol for the Rights. Registered Shareholders will be notified that the Rights have been deposited into their portfolios through an announcement on the Saudi Exchange's website or via the Tadawulaty service provided by Edaa or through SMS messages sent by brokerage companies. These Rights cannot be traded or subscribed for by the Registered Shareholders until the start of the Trading and Subscription Periods.

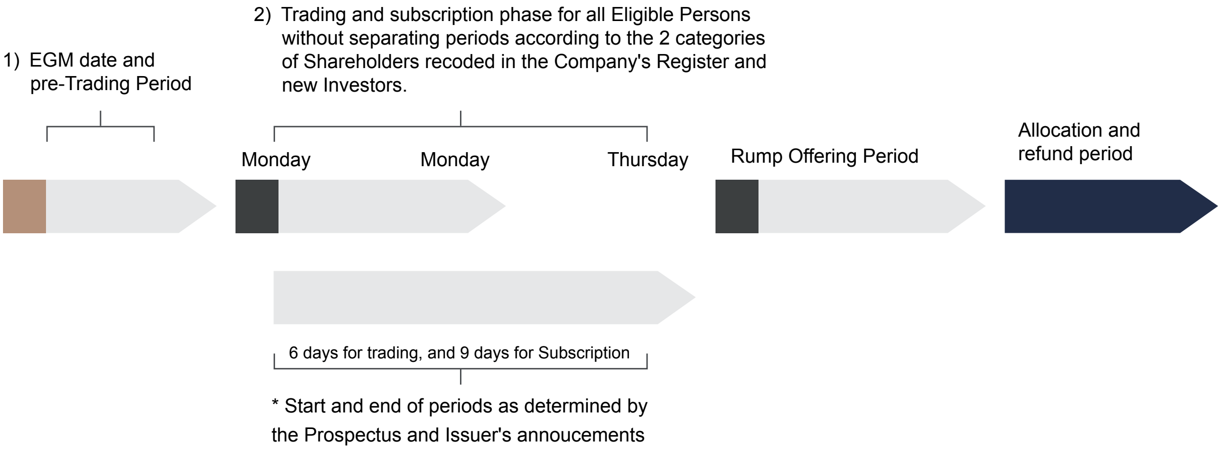
The Eligible Persons wishing to subscribe to the Rights Issue shall submit an application for subscription during the Subscription Period (starting on Monday 29/10/1443H (corresponding to 30/05/2022G) and ending on Thursday 10/11/1443H (corresponding to 09/06/2022G).

If Eligible Persons have not exercised the Rights by the end of the Subscription Period, the Rump Shares resulting from non-exercise will be offered to Institutional Investors by offering them in the Rump Offering Period.

Rights Shares will be offered according to the phases and dates set out below.

- **Eligibility Date:** Shareholders who own shares at the end of trading day on which the EGM relating to the Capital Increase is held, and who are registered in the Company's shareholder register as at the end of the second trading day following the EGM relating to the Capital Increase on 17/10/1443H (corresponding to 18/05/2022G).
- **Trading Period and Subscription Period:** The Trading Period and Subscription Period shall start on Monday 29/10/1443H (corresponding to 30/05/2022G). The Trading Period shall end on Monday 07/11/1443H (corresponding to 06/06/2022G), and the Subscription Period shall end on Thursday 10/11/1443H (corresponding to 09/06/2022G). It should be noted that the Trading Period and the Subscription Period will start on the same day. However, the Trading Period will continue until the end of the sixth day from the start date, and the Subscription Period will continue until the end of the ninth day from the start date.
- **Rump Offering Period:** starts on Tuesday 15/11/1443H (corresponding to 14/06/2022G) at 10:00 a.m. to 5:00 p.m. of the next day on Wednesday 16/11/1443H (corresponding to 15/06/2022G). During this period, the Rump Shares will be offered to Institutional Investors, provided that they submit their offers to purchase the Rump Shares during the Rump Offering Period. The Rump Shares will be allocated to the Institutional Investors in order of priority based on the price per Share offered (provided that it may not be less than the Offer Price) with Shares being allocated on a pro-rata basis to Institutional Investors that provided offers at the same price. The Fractional Shares will be included within the Rump Shares and treated in the same manner. The Company will receive the total Offer Price obtained from the offer of the Rump Shares and the Fractional Shares. The proceeds of the sale of the Rump Shares and Fractional Shares (in excess of the Offer Price) shall be distributed to the Eligible Persons, as per its entitlement, no later than Thursday 01/12/1443H (corresponding to 30/06/2022G). As for persons having Fractional Shares, such shares shall be accumulated and offered to Institutional Investors during the Rump Offering.
- **Final Allocation of Shares:** Shares will be allocated to each investor based on the number of Rights properly and fully exercised thereby. The total Rump Offering Price will be paid to the Company, and the remaining proceeds from the sale of the Rump Shares and fractional shares (i.e. in excess of the Offer Price, if any) shall be paid to the Eligible Persons, no later than Sunday 20/11/1443H (corresponding to 19/06/2022G).
- **Trading of the New Shares on the Exchange:** Trading in the New Shares will start on the Tadawul system upon the completion of all procedures relating to the registration, allocation and listing of the New Shares.

Figure 3: Right Mechanism Chart



12.3 Eligible Persons not Participating in the Subscription for the New Shares

Registered Shareholders who do not fully or partly participate in the Subscription will be subject to a decrease in their shareholding percentage in the Company as well as a decline in the value of their current Shares. Eligible Persons who do not participate in the subscription and do not sell their Rights are exposed to loss. Eligible Persons who fail to subscribe in the New Shares will not receive any benefits for the Rights due to them other than cash compensation from the proceeds of the sale of the Rump Offering Shares, each as per its entitlement (if any) in the event that the Institutional Investors purchase the New Shares at a higher price than the Offer Price during the Rump Offering Period.

If the Institutional Investors wish to purchase the Rump Shares at the Offer Price only, the Eligible Persons who do not subscribe will not receive any compensation as a result of their failure to exercise their rights to subscribe in the New Shares. The compensation amount (if any) will be determined for the Eligible Persons who did not fully or partially subscribe to the New Shares and for the persons entitled to Fractional Shares by dividing the compensation amount by the total number of Shares not subscribed to by the Eligible Persons and persons entitled to Fractional Shares.

12.4 Allocation

The Company and the Lead Manager will open an escrow account in which the Offering Proceeds will be deposited. The Shares will be allocated to each investor based on the number of Rights properly and fully exercised by it. As for persons having Fractional Shares, such shares shall be accumulated and offered to Institutional Investors during the Rump Offering. The total remaining offering price will be paid to the Company, and the remaining proceeds from the sale of the Rump Shares and fractional shares (i.e. in excess of the Offer Price, if any) shall be paid to Eligible Persons no later than Thursday 01/12/1443H (corresponding to 30/06/2022G). If Shares remain unsubscribed for, then the Underwriter will purchase the remaining New Shares and these shares shall be allocated thereto.

The final number of Shares will be allocated to each Eligible Person by depositing the Shares into the Subscribers' accounts without any charges or withholdings by the Lead Manager. Eligible Persons shall contact the Broker through which the application is submitted for further information. Allocation of Shares will be announced no later than Sunday 20/11/1443H (corresponding to 19/06/2022G).

12.5 Compensation Amount Payment

Cash compensation amounts (if any) will be paid to the Eligible Persons who did not subscribe wholly or partially to the Rights no later than Thursday 01/12/1443H (corresponding to 30/06/2022G).

12.6 Supplementary Prospectus

The Company shall submit a supplementary prospectus to the CMA as required under the ROSCOs if, at any time after the publication date of the Prospectus and before the Offering is completed, the Company is aware of any of the following:

a. A significant change in material matters contained in the Prospectus; and
b. Any additional significant matters which should have been included in the Prospectus.

An investor who subscribed to the New Shares before the supplementary prospectus is published may cancel or amend its subscription to these shares before the end of the Offering Period.

12.7 Offering Suspension or Cancellation

The CMA may, at any time, issue a decision to suspend the Offering if it deems that the Offering may result in a breach of the Capital Market Law, its Implementing Regulations or the Exchange Rules. This Offering may also be canceled if it is not approved by the Extraordinary General Assembly.

12.8 Resolutions and Approvals under which the Shares are Offered

The resolutions and approvals, by which the Rights Shares are offered, are stated below:

a. The recommendation made by the Company's Board of Directors its meeting on 06/02/1443H (corresponding to 13/09/2021G) to increase the Company's capital through a Rights Issue;

b. The recommendation made by the Company's Board of Directors in its resolution dated 08/05/1443H (corresponding to 12/12/2021G) to amend the recommendation to increase the Company's capital through a Rights Issue;

c. The approval of the Company's Extraordinary General Assembly dated 17/10/1443H (corresponding to 18/05/2022G) to increase the Company's capital through a Rights Issue;

d. The Saudi Exchange's approval dated 12/10/1443H (corresponding to 15/03/2022G) to the application for listing the New Shares; and

e. The CMA's announcement made on 19/09/1443HH (corresponding to 20/04/2022G) regarding its approval of the Rights Issue.

12.9 Restrictions on Trading in the Rights

Except for the regulatory restrictions imposed on publicly listed shares, there are no restrictions imposed on the trading of the Rights.

12.10 Q&A Related to the New Rights Issue Mechanism

1. What are Rights?

Tradable securities that entitle their holder to subscribe to the New Shares offered through capital increases. These securities are considered an acquired Right for all shareholders who own shares as at the end of the trading day on which the EGM relating to the Capital Increase is held and who are registered in the Company's shareholder register with Edaa as at the end of the second trading day following the date of the EGM relating to the Capital Increase. Each Right grants its holder the right to subscribe for one New Share at the Offer Price.

2. Who is granted Rights?

For all shareholders at the end of trading day on which the EGM relating to the Capital Increase is held, and who are registered in the Company's Register with Edaa at the end of the second trading day following the date of the EGM relating to the Capital Increase, which is known as the eligibility date.

3. When are the Rights deposited?

After the EGM convenes and approves the capital increase by way of a Rights Issue. The Rights shall be deposited as securities in the portfolios of shareholders registered in the Company's shareholder register with Edaa at the end of the second trading day following the date of the EGM. The Rights will appear in the portfolios of the shareholders under a new symbol that designates these Rights. These Rights cannot be traded or exercised by the Registered Shareholders until the beginning of the Trading Period and Subscription Period.

4. How are Registered Shareholders notified of the deposit of Rights in their portfolio?

Registered Shareholders will be notified that the Rights have been deposited into their portfolios through an announcement on the Saudi Exchange's website or via the Tadawulaty service provided by Edaa or through SMS messages sent by brokerage companies.

5. How many Rights will be granted to a Registered Shareholder?

The number of Rights that a Registered Shareholder will obtain depends on the number shares owned in the Company, according to the Company's shareholder register with Edaa as at the end of the second trading day following the date of the EGM. The number of Rights due to each Registered Shareholder will be determined based on the Rights Issue Ratio.

6. What is the Rights Issue Ratio?

The factor by which the Registered Shareholders are able to identify their due rights for their shares as per the Shareholders Register with the Edaa at the end of the second trading day following the date of the Extraordinary General Assembly. It is calculated by dividing the number of the New Shares by the number of the Company's Existing Shares. For example, if a company has 1,000 issued shares and increases its capital to 1,500 shares by offering 500 new shares, the eligibility ratio will be one (1) Right to two (2) shares.

If the process of calculating the number of Rights owed to any of the Company's shareholders based on the Rights Issue Ratio results in fractions, the resulting number will be rounded off to the nearest integer. The Rights Issue Ratiois 0.5625 Right per each Share owned by a Registered Shareholder on the eligibility date. Consequently, if the Registered Shareholder owns one thousand (1,000) shares at the eligibility date, it will be allocated 562 Rights rather than 562.5 Rights for its shares. In this case, the Registered Shareholder will be compensated for any fractions if the Rump Shares are subscribed for at a higher price than the Offer Price.

7. Will the name and symbol of the Rights trading be different from the name and symbol of the Company's shares?

Yes, the acquired Rights will be added to the Investor's Portfolio under the name of the original shareand by adding the word "Rights," in addition to a new symbol for these Rights.

8. What is the Right value when the trading starts?

The opening price of the Right is the difference between the Company's closing share price on the day preceding the Rights listing and the Offer Price (the indicative value of the Right). For example, (using hypothetical prices): If the closing price of the Company's share on the day prior to listing the Rights is fifteen (15) Saudi Riyals and the Offer Price is ten (10) Saudi Riyals, then the opening price of the Right will be five (5) Saudi Riyals.

9. Who is a Registered Shareholder?

A Shareholder whose name appears in the Company's shareholder register at the end of the second trading day following the date of the EGM relating to the Capital Increase.

10. Can Registered Shareholders subscribe for additional shares?

Yes, Registered Shareholders can subscribe for additional shares by purchasing new Rights through the Exchange during the Trading Period.

11. Is it possible for a Registered Shareholder to lose its right to subscribe even if it has the right to attend the Extraordinary General Assembly and vote on the capital increase through a Rights Issue?

Yes, the Shareholder loses its right to subscribe if it sells its shares on the day of the EGM or the trading day preceding the date of the General Assembly.

12. How does the subscription take place?

Subscription Applications are submitted through portfolios in trading platforms, through which sale and purchase orders are entered. In addition, the subscription can be made through any other means provided by the broker to the investors.

13. Is it allowed to subscribe more than once through more than one broker?

Yes, the number of shares that can be subscribed for through each broker will depend on the number of the available Rights in the investment portfolio of the relevant broker. Yes, provided that the number of Shares subscribed to do not exceed the number of Rights held at the end of the Trading Period; otherwise, the Subscription Application will be canceled.

14. Can Shareholders subscribe to shares more than the Rights owned by them?

An Eligible Person may not subscribe for shares exceeding the Rights owned by such Eligible Person.

15. If the Company's shares are owned through more than one account, in which account will the Rights be deposited?

The Rights will be deposited in the same portfolio where the Company's Rights are deposited. For example, if a Shareholder owns one thousand (1,000) shares in the Company as follows: Eight hundred (800) shares in Portfolio A and two hundred

(200) shares in Portfolio B, the total Rights that will be deposited to the Shareholder is 562 Rights on the basis that each share has 0.5625 Right. Thus, 450 Rights will be deposited in Portfolio A, and 112 Rights will be deposited in Portfolio B. The eligible shareholder will be compensated for any fractions if the Rump Shares are subscribed for at a higher price than the Offer Price.

16. Are share certificate holders allowed to subscribe and trade?

Yes, the share certificate holders are entitled to subscribe. However, they may trade in Rights and subscribe to New Shares only after the certificates are deposited in investment portfolios through brokers or Edaa and all the required documents are submitted.

17. What happens if New Shares are subscribed for, and then the Rights have been sold thereafter?

If a Registered Shareholder subscribes, then sells the Rights without purchasing a number of Rights equal to the number of exercised Rights before the end of the Trading Period, then the Subscription Application will be rejected entirely, if all or part of Rights has been sold in an amount equal to the number of sold Rights. The Registered Shareholder will be notified and the rejected Offering amount will be refunded.

18. Are purchasers of additional Rights entitled to trade in them once again?

Yes, purchasers of additional Rights may sell them and purchase other Rights only during the Trading Period.

19. Can a part of the Rights be sold?

The investor may sell a part of these Rights and use the remaining parts for the subscription.

20. When can a Shareholder subscribe for the Rights it purchased during the Trading Period?

After the Rights Purchase Settlement Period (two (2) business days after the purchase process is completed), provided that the New Shares shall be subscribed for during the Subscription Period.

21. Can the Eligible Person sell or assign the Right after the expiration of the Trading Period?

No, it cannot. After the expiration of the Trading Period, the rights holder may exercise (or refrain from exercising) its right to subscribe to the Rights. In case of refraining from exercising the Rights, the investor may be subject to the loss or depreciation in its investment portfolio.

22. What happens to Rights that are unsold or unsubscribed for during the Trading Period and the Subscription Period?

If the New Shares are not fully subscribed for during the Subscription Period, the Rump Shares will be offered to a number of Institutional Investors through the Lead Manager. The compensation amount (if any) for the rights holder will be paid after the Offer Price is deducted. An investor may not receive any consideration if the sale occurs in the Rump Offering Period at the Offer Price.

23. Who has the right to attend the Extraordinary General Assembly and vote on increasing the Issuer's share capital through a Rights Issue?

A shareholder registered in the Company's shareholder register at Edaa after the end of the trading session on the day of the EGM relating to THE CAPITAL INCREASE shall have the right to attend the EGM and vote on increasing the share capital through a Rights Issue.

24. When will the share price be amended due to the increase of the Issuer's capital through the Rights Issue?

The share price shall be adjusted by the Saudi Exchange before the start of the trading day following the date of the EGM relating to the Capital Increase.

25. In case an investor bought shares in the Company on the day of the EGM, can it obtain the Rights arising from the Issuer's capital increase?

Yes, the Investor will be registered in the Company's shareholder register after two (2) business days from the Share purchase (i.e. at the end of the second trading day following the EGM), noting that the Rights will be granted for all the Registered Shareholders at the end of the second trading day following the EGM. However, it is entitled to attend or vote during the EGM relating to the Capital Increase.

26. If an investor has more than one portfolio with more than one broker, how will its Rights be calculated?

The investor's shares will be distributed to its portfolios, according to the percentage of shareholding in each portfolio. If there are Fractional Shares, such fractions will be aggregated. If the outcome is an integer or more, the integer number will be added to the portfolio in which the investor has the largest amount of Rights.

27. What are the Trading and Subscription Periods?

The trading of and subscription to the Rights will begin at the same time. The trading will end on the sixth day, while the subscription shall continue to the ninth day as set out in this Prospectus and the Company's announcements.

28. Is subscription available on the weekend?

No, it is not.

29. Can investors other than the Registered Shareholders subscribe to the Right Shares?

Yes, after completing and settling the purchase of Rights during the Trading Period, taking into account the overall regulatory restrictions on trading of listed shares.

30. Will there be any other fees for the trading of Rights?

The same commissions applying to the shares will also apply to sale and purchase operations, without a minimum commission being imposed.

Further Assistance:

If you have any questions, please contact the Company via e-mail: investor.relations@al-akaria.com. For legal reasons, the Company will be able to provide information contained in this Prospectus and will not be able to give advice on the merits of the Rights Issue or provide financial, tax, legal or investment advice. For more information on the Subscription Terms and Conditions, please see Section12 "**Details on Shares and Subscription Terms and Conditions**" and the rest of the information contained in this Prospectus.

12.11 Trading in the New Shares

Trading in the New Shares will start after all the necessary regulatory procedures are completed. This will be announced later on the Saudi Exchange's website.

12.12 Miscellaneous

The Subscription Application Form and all related terms, conditions and covenants shall be binding upon and inure to the benefit of the parties to the subscription and their respective successors, permitted assigns, executors, administrators and heirs; provided that, except as specifically contemplated herein, neither the application nor any of the rights, interests or obligations arising pursuant thereto shall be assigned or delegated to any of the said parties without the prior written consent of the other party.

These instructions, conditions and receipt of any Subscription Application Forms or related contracts shall be governed, construed and enforced in accordance with the laws of the Kingdom of Saudi Arabia. This Prospectus may be distributed in both Arabic and English. In the event of a discrepancy between the Arabic and English versions of this Prospectus, the Arabic version shall prevail.

13. Change in the Share Price as a Result of the Capital Increase

The closing price of the Company's share, on which EGM on Capital Increase is held, is SAR 18.64, and will be reset to SAR 16.18 at the opening session the next day. The change represents a decrease of 13.2% percent. Registered Shareholders who do not subscribe in the New Shares during the Subscription Period will be diluted.

The method of calculating the share price due to the capital increase is as follows:

First: Calculating the market value of the Company at the close of trading on the day on which EGM on Capital Increase is held:

The number of the Company's shares at the end of the day on which the EGM on Capital Increase is held x the closing price for the Company's Share at the end of the day on which the EGM is held = the market value of the Company at the end of the day on which the EGM on Capital Increase is held.

Second: Calculating the share price in the opening session on the day following the day on which the EGM on Capital Increase is held:

(The market value of the Company at the end of the day on which EGM is held + the value of the Rights Shares)/(the number of shares issued by the Company at the end of the day on which the EGM on Capital Increase is held + the number of the New Offer Shares) = the expected share price on the opening day following the day on which the EGM on Capital Increase is held.

14. Subscription Undertakings

14.1 Overview of the Subscription Application and Undertakings

Subscription applications can be made using the trading platforms or through any other means provided by the broker to investors. The New Shares will be subscribed in one stage as follows:

- In this period, all Registered Shareholders and New Investors will be allowed to subscribe for the New Shares.
- A Registered Shareholder will be able to directly subscribe to new shares that equal to the number of Rights allocated to them or a part of such Rights during the Subscription Period. If a Registered Shareholder purchases new Rights, it will be able to subscribe to them after the end of the Rights Purchase Settlement Period (two (2) business days after the new Rights are purchased).
- New investors who purchased Rights during the Trading Period will be able to subscribe to the new shares after the end of the Rights Purchase Settlement Period (two (2) business days after the new Rights are purchased).
- Subscription may be made online through investment portfolios in trading platforms and applications, through which purchase and sale orders are entered, as well as through other channels and means provided by the broker.

Each Right grants its holder the right to subscribe for one New Share at the Offer Price. The Subscriber for the New Shares declares that:

- the Subscriber shall accept the Subscription Terms and Instructions contained in the Prospectus;
- the Subscriber has read this Prospectus and all of its contents, and has carefully examined and understood its content;
- the Subscriber accepts the Company's Bylaws; and
- the Subscriber undertakes not to cancel or amend the subscription application after it is implemented.

14.2 Allocation Process

The Rights Shares shall be allocated to the Eligible Persons based on the number of Rights that he/she properly exercised. As for persons having Fractional Shares, such shares shall be accumulated and offered to Institutional Investors during the Rump Offering. The total remaining offering price will be paid to the Company, and the remaining proceeds from the sale of the Rump Shares and fractional shares (i.e. in excess of the Offer Price, if any) shall be paid to Eligible Persons no later than Thursday 01/12/1443H (corresponding to 30/06/2022G). If Shares remain unsubscribed for, then the Underwriter will purchase the remaining New Shares and these shares shall be allocated thereto. There will be no compensation for investors who did not subscribe or sell their Rights or for the owners of Fractional Shares during the Rump Offering Period. Eligible Persons shall contact the Broker through which the subscription is made for further information. Allocation of Shares will be announced no later than Sunday 20/11/1443H (corresponding to 19/06/2022G).

14.3 Saudi Exchange

Tadawul System was founded in 2001G as the successor to the Electronic Securities Information System. In 1990G, full electronic trading in Saudi equities was introduced. Trading in shares occurs on an electronic system through an integrated mechanism covering the entire trading process, from the execution of the trade transaction through the settlement thereof. Trading occurs on each business day (from Sunday to Thursday) for one period from 10 a.m. to 3:00 p.m., during which orders are executed. However, orders can be entered, amended or deleted from 9:30 a.m. until 10 a.m.

The Tadawul System matches orders by the price, and orders are received and prioritized based on the price. In general, market orders (orders placed at best price) are executed first, followed by limit orders (orders placed at a price limit). If several orders are generated at the same price, they are executed according to the time of entry.

The Tadawul System distributes a comprehensive range of information through various channels, including in particular the Saudi Exchange's website and the Tadawul Information Link. Market data is provided in real time to well-known information providers such as Reuters. Transactions are settled within two (2) business days on a T+2 basis.

The Company is required to disclose all material decisions and information to the investors via Tadawul System. Tadawul System is responsible for monitoring the market in order to ensure the fairness and easy flow of share exchange.

14.4 Trading in the Company's Shares on the Saudi Exchange

The application for the registration and offering of the New Shares has been submitted to the CMA, and the application for the admission of such shares has been submitted to the Saudi Exchange. This Prospectus has been approved and all the requirements of the relevant authorities have been met. The listing is expected to be approved and trading to commence on the Exchange once the final allocation of the New Shares has been concluded. An announcement will be made on the Saudi Exchange's website in due course. The dates and times stated in this Prospectus are only provisional and may be changed at any time subject to the approval of the CMA.

While the Company's Existing Shares are listed on the Exchange, the New Shares can only be traded after they have been approved for allocation to eligible subscribers and bidders with respect to the Offering of the Rump Shares and their deposit in their trading accounts. It is absolutely forbidden to trade in the New Shares until the allocation has been approved. Subscribers who participate in any prohibited trading activities are fully responsible for them. The Company does not incur any legal responsibility in this case.

15. Documents Available for Inspection

The following documents will be available for inspection at the Company's Head Office located in Riyadh, Olaya Street, Al Akaria Plaza Center, Floor 5, P.O. Box 3572, Riyadh 11481, Kingdom of Saudi Arabia, during the official working hours from 8:00 a.m. to 16:00 p.m., starting from the first Business Day following the Extraordinary General Assembly invite, and will be available for no less than fourteen (14) days before the convening of the Extraordinary General Assembly and until the end of the Offering Period.

Documents Related to Incorporation/Company's Bylaws:

1. The Company's Bylaws.
2. The Company's Articles of Association.
3. The Company's Commercial Registration certificate.

Offering Approvals:

1. The Board of Directors' Resolution to recommend an increase in the capital through a Rights Issue.
2. The Extraordinary General Assembly's approval to increase the capital.*
3. The Saudi Exchange's approval to list the New Shares.
4. The CMA's approval to the Rights Issue.

Reports, Letters, and Documents:

1. The feasibility study for the L'Avenir Project.
2. The feasibility study for the Gateway Project.
3. The feasibility study for the Yamama Complex Project.
4. The Market Report.
5. The Underwriting Agreement and Lead Manager Agreement.**
6. Written approvals granted by the Company's advisors to include their names, logos and statements in this Prospectus.

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* It will be available for inspection on the first business day following the date of the Extraordinary General Assembly.

** It will be available for inspection on the first business day following its conclusion.

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