

Al Azem, Al Sudairy, Al Shaikh & Partners

For Professional Consulting – Member Crowe Global

SUMOU REAL ESTATE COMPANY

(A Saudi Joint Stock Company)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UN-AUDITED)**

**AND REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS**

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023

SUMOU REAL ESTATE COMPANY
(A Saudi Joint Stock Company)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
AND REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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**REPORT ON REVIEW OF
CONDENCED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**TO: THE SHAREHOLDERS OF
SUMOU REAL ESTATE COMPANY
(A Saudi Joint Stock Company)**

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of **Sumou Real Estate Company (the "Company")** as at 30 June 2023, and the related condensed consolidated interim statement of profit or loss, comprehensive income, changes in shareholders' equity and cash flows for the six-months period then ended, and a summary of significant accounting policies and other explanatory note, Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard (34) "Interim Financial Reporting" endorsed in the Kingdom of Saudi Arabia, Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard (34) "Interim Financial Reporting" endorsed in the Kingdom of Saudi Arabia.



**Al Azem, Al Sudairy, Al Shaikh & Partners
For Professional Consulting**



**Abdullah M. AlAzem
License No. 335**


Safar 07, 1445H (August 23, 2023)
Khobar, Kingdom of Saudi Arabia.

SUMOU REAL ESTATE COMPANY
(SAUDI JOINT STOCK COMPANY)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (Unaudited)
AS AT 30 JUNE 2023
(Saudi Riyals)

	Note	30 June 2023 (Unaudited)	31 December 2022 (Audited)
<u>ASSETS</u>			
NON-CURRENT ASSETS			
Property, plant and equipment, net		2,109,046	1,783,276
Investment properties		60,220,776	60,220,776
Projects under development	7	42,731,729	45,375,062
Right of use Assets, net	8	20,036,221	20,730,732
Intangible assets, net	9	663,343	786,688
Investments in companies designated by equity method	11	332,182,802	329,863,587
TOTAL NON-CURRENT ASSETS		457,943,917	458,760,121
CURRENT ASSETS			
Accrued revenue	10	81,351,081	66,402,008
Murabaha investment deposits		40,000,000	15,000,000
Due from related party	12-a	32,247,290	32,247,290
Real estate held for sale		12,390,644	12,390,644
Prepayments and other assets		51,615,990	49,653,327
Cash and cash equivalents	6	64,557,904	83,797,263
TOTAL CURRENT ASSETS		282,162,909	259,490,532
TOTAL ASSETS		740,106,826	718,250,653
<u>SHAREHOLDERS' EQUITY AND LIABILITIES</u>			
SHAREHOLDERS' EQUITY			
Share capital	13	375,000,000	375,000,000
Statutory reserve		44,238,472	44,238,472
Retained earnings		119,886,268	108,727,489
Revaluation reserve for investments through OCI		6,221,116	6,221,116
TOTAL SHAREHOLDERS' EQUITY		545,345,856	534,187,077
Non-controlling interest		(774,954)	(607,554)
TOTAL SHAREHOLDERS' EQUITY		544,570,902	533,579,523
NON-CURRENT LIABILITIES			
Lease obligations - non-current portion	8	18,364,087	19,749,167
land obligations against project under development-non-current portion		-	14,654,354
Advance payments from customers		4,568,439	-
Employee benefit obligations		4,823,593	3,550,667
TOTAL NON-CURRENT LIABILITIES		27,756,119	37,954,188
CURRENT LIABILITIES			
Zakat provision		2,765,000	4,958,878
Lease obligations - current portion	8	1,760,372	1,534,017
Accrued expenses and other liabilities		21,606,199	16,894,667
Due to related party	12-b	1,939,662	1,817,492
land obligations against project under development - current portion		73,271,772	58,617,418
Account payables		66,436,800	62,894,470
TOTAL CURRENT LIABILITIES		167,779,805	146,716,942
TOTAL LIABILITIES		195,535,924	184,671,130
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		740,106,826	718,250,653


Finance Manager


Chief Executive Officer


Chairman of the Board

The attached notes from (1) to (24) form an integral part of these condensed consolidated interim financial statements.

**SUMOU REAL ESTATE COMPANY
(SAUDI JOINT STOCK COMPANY)**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Unaudited)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2023
(Saudi Riyals)

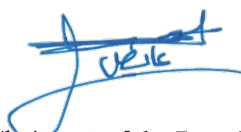
		For the six months period ended 30 June	
	Note	2023 (Unaudited)	2022 (Unaudited)
Revenue	14	119,699,452	156,075,122
Cost of revenue	15	(64,316,388)	(124,232,148)
Gross operating income for the period		55,383,064	31,842,974
General and administrative expenses	16	(5,433,810)	(4,844,591)
Net profit of period from main operations		49,949,254	26,998,383
Finance cost		(301,783)	(114,355)
The company's share of the results of the business of the associates	11-c	2,319,215	19,559,445
Other income		228,442	405,438
Net profit for the period before zakat		52,195,128	46,848,911
zakat		(2,765,000)	(1,500,000)
Net profit for the period		49,430,128	45,348,911
Net profit attributed to:			
Shareholders		49,597,528	45,451,460
Non-controlling interest		(167,400)	(102,549)
		49,430,128	45,348,911
Earnings per share:			
Basic and diluted earnings per share from net profit for the period	17	1.32	1.21



Finance Manager



Chief Executive Officer



Chairman of the Board

The attached notes form (1) to (24) form an integral part of these condensed consolidated interim financial statements.

**SUMOU REAL ESTATE COMPANY
(SAUDI JOINT STOCK COMPANY)**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Unaudited)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2023
(Saudi Riyals)


	For the six months period ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Net profit for the period	49,430,128	45,348,911
Items that will not be subsequently reclassified into profit or loss:		
Net change of fair value for investments through OCI	-	-
Actuarial gain (losses) from re-measurement for employees' defined benefits	(938,749)	722,001
Other Comprehensive income for the period	(938,749)	722,001
Total comprehensive income for the period	48,491,379	46,070,912
Total comprehensive income for the year attributed to:		
Shareholders	48,658,779	46,173,461
Non-controlling interest	(167,400)	(102,549)
	48,491,379	46,070,912



Finance Manager



Chief Executive Officer



Chairman of the Board

The attached notes form (1) to (24) form an integral part of these condensed consolidated interim financial statements.

**SUMOU REAL ESTATE COMPANY
(SAUDI JOINT STOCK COMPANY)**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2023
(Saudi Riyals)

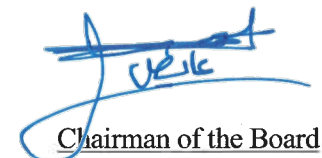
	Share capital	Statutory reserve	Retained earnings	Revaluation reserve investments through OCI	Total shareholders' equity	Non-controlling interest	Total shareholders' equity
Balance as at 1 January 2022 (Audited)	375,000,000	35,474,924	67,226,608	(23,130,863)	454,570,669	(334,698)	454,235,971
Net profit for the period	-	-	45,451,460	-	45,451,460	(102,549)	45,348,911
Other comprehensive loss for the period	-	-	722,001	-	722,001	-	722,001
Dividends distribution	-	-	(18,750,000)	-	(18,750,000)	-	(18,750,000)
Balance as at 30 June 2022 (Unaudited)	375,000,000	35,474,924	94,650,069	(23,130,863)	481,994,130	(437,247)	481,556,883
Balance as at 1 January 2023 (Audited)	375,000,000	44,238,472	108,727,489	6,221,116	534,187,077	(607,554)	533,579,523
Net profit for the period	-	-	49,597,528	-	49,597,528	(167,400)	49,430,128
Other comprehensive loss for the period	-	-	(938,749)	-	(938,749)	-	(938,749)
Dividends distribution	-	-	(37,500,000)	-	(37,500,000)	-	(37,500,000)
Balance as at 30 June 2023 (Unaudited)	375,000,000	44,238,472	119,886,268	6,221,116	545,345,856	(774,954)	544,570,902



Finance Manager



Chief Executive Officer



Chairman of the Board

The attached notes form (1) to (24) form an integral part of these condensed consolidated interim financial statements.

SUMOU REAL ESTATE COMPANY**(SAUDI JOINT STOCK COMPANY)****CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (Unaudited)****FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2023****(Saudi Riyals)**

	30 June 2023 (Unaudited)	30 June 2022 (Unaudited)
OPERATING ACTIVITIES		
Net profit for the period	49,430,128	45,348,911
Adjustments to reconcile net profit with net cash provided by (used in) operating activities:		
Depreciation and amortization	1,096,585	993,782
The company's share of the results of the business of the associates	(2,319,215)	(19,559,445)
Gain from disposal of property, plant and equipment	-	(75,000)
Finance cost	368,625	390,144
Employee benefit obligations	378,267	325,816
Zakat provision	2,765,000	1,500,000
	51,719,390	28,924,208
Operating assets and liabilities:		
Account receivables	-	1,150,000
Prepayments and other assets	(1,962,663)	(19,589,105)
Accrued expenses and other liabilities	4,711,532	1,946,205
Account payables	3,542,330	35,859,063
Due to related party	122,170	(1,656,814)
Accrued revenue	(14,949,073)	(32,895,281)
Advance payments from customers	4,568,439	(43,626,072)
Employee benefit obligations paid	(44,090)	(108,687)
Zakat paid	(4,958,878)	(1,581,447)
Net cash provided by (used in) operating activities	42,749,157	(31,577,930)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(604,499)	(981,507)
Proceeds from disposal of property, plant and equipment	-	75,000
Murabaha investment deposits	(25,000,000)	-
Net change in investment in companies designated by equity method	-	44,514,608
Net change in projects under development	2,643,333	12,613,467
Net cash (used in) provided by investing activities	(22,961,166)	56,221,568
FINANCING ACTIVITIES		
lease obligations paid	(1,527,350)	(1,534,070)
Dividends distribution	(37,500,000)	(18,750,000)
Net cash used in financing activities	(39,027,350)	(20,284,070)
Net change in cash and cash equivalents	(19,239,359)	4,359,568
Cash and cash equivalents at beginning of the period	83,797,263	71,854,674
Cash and cash equivalents at end of the period	64,557,904	76,214,242


Finance Manager

Chief Executive Officer

Chairman of the Board

The attached notes form (1) to (24) form an integral part of these condensed consolidated interim financial statements.

SUMOU REAL ESTATE COMPANY
(SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2023
(Saudi Riyals)

1. ACTIVITIES

Sumou Real Estate Company is a Saudi Joint Stock company operating under commercial registration number 2051034841 dated 3 Jumada Al Thani 1428H (corresponding to June 18, 2007) issued at Khobar, Kingdom of Saudi Arabia.

The address of the company's head office is in Al-Khobar, Prince Turki Street, Al-Yarmouk District, PO Box 250, Al-Khobar 31952, Kingdom of Saudi Arabia.

The main activity of the company represented general construction of residential buildings, general construction of non-residential buildings, including (schools, hospitals, hotels, etc.) construction of airports and their facilities, construction of prefabricated buildings on sites, renovations of residential and non-residential buildings, purchase and sale of land and real estate and its division and off plan sale activities..

These financial statements include assets, liabilities and the main activities of the above-mentioned commercial register and the following branches commercial registers:

Branches CR No, Location and registration

1010261561	Riyadh
4030189816	Jeddah
4031275053	Makkah

The condensed consolidated interim financial statements include the financial statements for the company and its subsidiaries as follows:

Company name	Legal entity	Country of Incorporation	Actual Ownership Percentage	
			2023	2022
Al Mahafel Trading and Contracting Co. Ltd.	Limited Liability Co	Kingdom of Saudi Arabia	80%	80%

The assets, liabilities and results of operations of the above mentioned subsidiary are included in the accompanying condensed consolidated interim financial statements.

- Al Mahafel Trading and Contracting Co. Ltd. is a Saudi limited liability company registered under Commercial Registration No. 4030127728 in Jeddah, dated 4/15/1420H. The main activity of the company is represented in the general construction of government buildings, sales agents in food and beverages, construction of prefabricated buildings on sites, and general construction for residential & non-residential buildings.

2. BASIS OF PREPARATION CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2-1 Statement of compliance:

These Condensed Consolidated Interim Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting that is endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA") and should be read in conjunction with the Company's last annual Financial Statements as at and for the year ended 31 December 2022. They do not include all of the information required for a complete set of IFRS Financial Statements however, accounting policies and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since December 31, 2022.

2-2 Basis of measurement

The condensed consolidated interim financial statements have been prepared on the historical cost basis and using the accrual basis of accounting except for the following.

- Investments at fair value through profit and loss measured at fair value.
- Employee benefits obligations that are recognized at the present value of future liabilities using the expected credit unit method.

2-3 Functional and presentation currency:

The condensed consolidated interim financial statements are presented in Saudi Riyal, which is the Company's functional currency.

2. BASIS OF PREPARATION CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

2-4 Use of estimates and judgments and assumptions:

The preparation of condensed consolidated interim financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The significant estimates made by the management when applying the company's accounting policies and the significant sources of uncertainties in the estimates were similar to those shown in the last annual financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these condensed consolidated interim financial statements are in accordance with the International Financial Reporting Standards approved in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by Saudi Organization for Chartered and Professional Accountants ("SOCPA") and are the same policies applied in the company's annual financial statements for the year ended December 31, 2022, except for applying the new accounting policies below that are effective from January 1, 2023.

New Standards Issued, and Standards Issued and Effective

Following are the standards and amendments that become effective on January 1, 2023 or after (unless otherwise stated): and do not have a material impact on the company interim condensed consolidated financial statements.

Standard, amendment or interpretation	Effective date
- IFRS (17) "Insurance Contracts"	January 1, 2023
- Definition of Accounting Estimates - Amendments to IAS (8)	January 1, 2023
- Deferred Tax Related to Assets and Liabilities arising from A Single Transaction – Amendments to IAS (12)	January 1, 2023
- Disclosure of accounting policies - Amendments to IAS (1) and IFRS Practice Statement (2)	January 1, 2023

New standards issued, standards issued and not yet effective

The new amended, issued standards and interpretations, which are not effective yet have not been adopted early by the company, and will be adopted on their effective date as applicable. The adoption of these standards and interpretations is not expected to have any material impact on the company on the effective date.

Standard, amendment or interpretation	Effective date
- Amendments to IAS (1): Classifications of Liabilities as Current or Non-current	January 1, 2024
- Amendments to IAS (16): Lease Liabilities from Sale and Leaseback	January 1, 2024

4. INTERIM RESULTS

The company's management to prepare all adjustments, which saw its importance so that the preliminary financial statements are fairly short show initial financial position short of the company as at 30 June 2023 and the preliminary results of its operations for the period then ended. The preliminary financial results for that period may not represent an accurate indication of the financial results for the whole year.

5. BASIS OF CONSOLIDATION

The condensed consolidated interim financial statements incorporate the financial statements of the Company and its subsidiaries detailed in note 1. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses 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 listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

SUMOU REAL ESTATE COMPANY
(SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2023
(Saudi Riyals)

5. BASIS OF CONSOLIDATION (CONTINUED)

The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of the subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary. Consolidated profit or loss and each component of other comprehensive income are attributed to the shareholders of the Company and the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the shareholders of the Company. When necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

6. CASH AND CASH EQUIVALENTS

This item consists of the following:

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Cash at banks	15,148,618	44,902,086
Restricted cash at banks (6-1)	49,409,286	38,895,177
Cash and Cash Equivalents	64,557,904	83,797,263

6-1 These balances are represented in the bank accounts registered for off-plan sale projects (Wafi). The use of this cash is limited to disbursement to those projects only and the cash collections related to them, and therefore they are considered cash and cash equivalents.

7. PROJECTS UNDER DEVELOPMENT

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Dar Sumou Project (7-a)	25,653,446	36,579,119
Public Benefit Market Project (7-b)	17,078,283	8,795,943
	42,731,729	45,375,062

A) A project item under development that belong to Dar Sumou Project represents the costs incurred in the Dar Sumou project to build and sell 412 villas in the city of Jeddah on the lands of the Ministry of Housing allocated to Sumou Real Estate Company, Below are the project details:-

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Balance at the beginning of the period / year	36,579,119	67,297,279
Development, implementation and construction costs incurred	42,524,875	119,561,166
Total	79,103,994	186,858,445
Work performed during the year (note 15)	(53,450,548)	(150,279,326)
Balance at the end of the period / year	25,653,446	36,579,119

SUMOU REAL ESTATE COMPANY**(SAUDI JOINT STOCK COMPANY)****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2023**

(Saudi Riyals)

7. PROJECTS UNDER DEVELOPMENT (CONTINUED)

B) Project under development item represents the costs incurred in the Public Benefit Market Project Which belongs to the subsidiary company (Al-Mahafel Trading and Contracting Company Limited).

Below are the project details:

	30 June 2023	31 December 2022
	(Unaudited)	(Audited)
Balance at the beginning of the period / year	8,795,943	-
Development, implementation and construction costs incurred	8,282,340	8,795,943
Balance at the end of the period / year	17,078,283	8,795,943

8. RIGHT OF USE ASSETS AND LEASE OBLIGATIONS, NET

The table below shows the right of use assets balance and the depreciation charged as follows:

	land	Building	Total
<u>Cost</u>			
The balance as at January 01, 2023	21,784,442	1,408,825	23,193,267
Additions during the period	-	-	-
The balance as at June 30, 2023	21,784,442	1,408,825	23,193,267
<u>Accumulated depreciation</u>			
The balance as at January 01, 2023	(1,742,756)	(719,779)	(2,462,535)
Charge for the period	(435,689)	(258,822)	(694,511)
The balance as at June 30, 2023	(2,178,445)	(978,601)	(3,157,046)
<u>Net book value</u>			
As at 30 June 2023	19,605,997	430,224	20,036,221
As at 31 December 2022	20,041,686	689,046	20,730,732

The lease obligations as at the end of the period are as follows:

	30 June 2023	31 December 2022
	(Unaudited)	(Audited)
Non-current lease obligations	18,364,087	19,749,167
Current lease obligations	1,760,372	1,534,017
Total lease obligations	20,124,459	21,283,184

The finance cost recognized from lease obligations during the period ended 30 June 2023 is amounted to 368,625 SAR.

The financing costs of the lease obligations have been charged as follows:

	30 June 2023	30 June 2022
	(Unaudited)	(Unaudited)
General and administrative expenses	7,315	8,916
Cost of revenue	361,310	381,228
	368,625	390,144

The depreciation of right of used assets has been charged as follows:

	30 June 2023	30 June 2022
	(Unaudited)	(Unaudited)
General and administrative expenses	258,822	204,696
Cost of revenue	435,689	435,689
	694,511	640,385

SUMOU REAL ESTATE COMPANY**(SAUDI JOINT STOCK COMPANY)****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2023**

(Saudi Riyals)

9. INTANGIBLE ASSETS, NET

The following table shows the movement of intangible assets, which are represented in the value of accounting programs and real estate project management program as follows:

	Software	Total
<u>Cost</u>		
The balance as at January 01, 2023	1,233,454	1,233,454
Additions during the period	-	-
The balance as at June 30, 2023	1,233,454	1,233,454
<u>Accumulated amortization</u>		
The balance as at January 01, 2023	(446,766)	(446,766)
Charge for the period	(123,345)	(123,345)
The balance as at June 30, 2023	(570,111)	(570,111)
<u>Net book value</u>		
As at 30 June 2023	663,343	663,343
As at 31 December 2022	786,688	786,688

10. ACCRUED REVENUE

The item represents the accrued revenues in the value of the works executed in excess of the collections (revenues accrued - Dar Sumou project) received from customers in return for the goods or services spent on the project. In the event that the company transfers the goods or services to the customer before the customer pays the consideration or before it becomes due, the value of the executed works is recorded in excess of the collections in exchange for the consideration earned.

11. INVESTMENT IN COMPANIES DESIGNATED BY EQUITY METHOD

The investments in companies designated by equity method are as follows:

	<u>Actual Ownership Percentage</u>		30 June 2023	31 December 2022
	2023	2022	(Unaudited)	(Audited)
Investments in Western Dhahiat Company (11-a)	25%	25%	296,085,469	296,518,530
Investments in Tanal Real Estate Development and Investment Company (11-b)	10%	10%	36,097,333	33,345,057
			332,182,802	329,863,587

a) Investments in western dhahiat company

- The company owns 25% of the net assets of the Western Dhahiat Company, which operates mainly in the Kingdom of Saudi Arabia and the investment was treated using the equity method.

- Western Dhahiat Company is a limited liability company with a capital of SR 100,000. The address of the company's head office is in Jeddah. The company's activity is in the general construction of residential buildings, and non-residential buildings, the purchase and sale of land and real estate, and its division, and off-plan sales activities.

- The return on investment in the associate was calculated based on the unaudited financial statement for the period ending on June 30, 2023 which is prepared by the company's management.

The financial information of the associate company is summarized as follows:

	30 June 2023	31 December 2022
	(Unaudited)	(Audited)
Total assets	1,185,298,480	1,186,298,675
Total liabilities	956,604	224,550
Equity	1,184,341,876	1,186,074,125
	30 June 2023	30 June 2022
	(Unaudited)	(Unaudited)
Revenue	-	-
Expenses	(1,732,245)	(1,278,101)
Net loss	(1,732,245)	(1,278,101)

SUMOU REAL ESTATE COMPANY**(SAUDI JOINT STOCK COMPANY)****NOTS TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2023**

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11. INVESTMENT IN COMPANIES DESIGNATED BY EQUITY METHOD (CONTINUED)**The investment movement**

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Beginning balance for the period / year	296,518,530	276,320,125
Company's share of net loss for the period/year	(433,061)	(847,480)
Company's share of other comprehensive loss for the period/year	-	21,045,885
Balance at the end of the period / year	296,085,469	296,518,530

b) Investments in Tanal Company for Investment and Real Estate Development

Tanal Real Estate Development and Investment Company is a limited liability company with a capital of 100,000 Saudi riyals. The address of the company's head office is in Riyadh. The company's activity is the management and leasing of residential and non-residential properties owned or leased.

Sumou Real Estate Company owns 40% voting rights in Tanal Real Estate Investment and Development Company on operational and administrative decisions, and this was considered as a significant influence due to the Chairman of the Board of Directors of Tanal Investment and Real Estate Development Company is the Chairman of the Board of Directors for Sumou Real Estate and also the member of board of directors in Tanal company is the deputy chairman of the board for sumou real estate company, and thus the investment was treated using the equity method.

Summary of the consolidated financial information of Tanal for Real Estate Investment and Development Company and its subsidiary (Ruba Buildings Real Estate Company)

The consolidated financial statements of this company and its subsidiary are prepared in accordance with International Financial Reporting Standards. The accounting policies used in preparing the consolidated financial statements of the associate are consistent with those of sumou Real Estate Company.

Summary of the consolidated statement of profit or loss and other comprehensive income

	For the six months period ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Revenue	52,053,461	421,602,579
Profit from main operations	33,801,554	202,789,703
Net profit for the period	27,522,756	198,789,703
Other comprehensive income for the period	27,522,756	198,789,703
Company's share of the profit for the period	2,752,276	19,878,970

The share in net profit was calculated based on the consolidated financial statements of Tanal Company for Investment and Real Estate Development which were available at the date of issuance of the associate's interim condensed financial statements. This may sometimes lead to some minor changes that are settled in the subsequent accounting period.

Summary of the consolidated statement of financial position

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Assets		
Non-current assets	-	-
Current assets	379,421,252	355,833,444
Total assets	379,421,252	355,833,444
Liabilities and partner's equity		
Non-current liability	-	-
Current liability	18,447,927	22,382,877
Total partner's equity	360,973,325	333,450,567
Total liabilities and partner's equity	379,421,252	355,833,444

SUMOU REAL ESTATE COMPANY**(SAUDI JOINT STOCK COMPANY)****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2023****(Saudi Riyals)****11. INVESTMENT IN COMPANIES DESIGNATED BY EQUITY METHOD (CONTINUED)****b) Investments in Tanal Company for Investment and Real Estate Development (continued)****The investment movement**

	30 June 2023	31 December 2022
	(Unaudited)	(Audited)
Balance at the beginning of the period/year	33,345,057	65,007,048
Recovery of additional capital	-	(19,814,548)
Dividends Received	-	(39,300,000)
Share of profit for the year	2,752,276	27,452,557
Balance at the end of the year period/year	36,097,333	33,345,057

c) The company's share of the results from business of associates

	30 June 2023	30 June 2022
	(Unaudited)	(Unaudited)
Tanal for Investment and real-estate Development Company	2,752,276	19,878,970
Western Dhahiat Company	(433,061)	(319,525)
	2,319,215	19,559,445

12. RELATED PARTY TRANSACTIONS

The related parties are represented in the dealings with the associate company, non-executive members of the board of directors, and senior management employees of the company, where the employees of the higher management are the persons who exercise authority and responsibility in planning, managing and monitoring the company's activities, directly or indirectly, including the managers.

During the normal course of its business, the company had the following important transactions with major related parties during the period ended on 30 June 2023 and 31 December 2022. as follows:

Name	Relationship
Sumou Holding company	Shareholder
Adeer Real Estate Company	Associate company
Asmou Real Estate Development Company	Associate company
Riyadah Gulf Management Company	Associate company
Adeer Holding Company	Associate company
Adeer Asar Real Estate Company	Associate company

- The transactions and amounts related thereto for the period ended on:

Description	Nature of the transaction	30 June 2023	31 December 2022
		(Unaudited)	(Audited)
Sumou holding company	Revenues	15,515,979	53,669,712
Adeer Holding Company	Revenues – in kind*	-	23,941,196
Adeer Holding Company	Revenues	41,000,000	26,432,755
Adeer Asar Real Estate Company	Revenue	2,438,826	1,089,174
Adeer Asar Real Estate Company	Advance payments	1,939,662	1,817,492
Riyadah Gulf Management Company	Administrative services	600,000	1,200,000
Adeer Holding Company	Rents	205,600	536,640
Asmou Real Estate Development Company	Revenues	-	6,500,000
Members of the Board of Directors and other committees	Bonuses and allowances	461,223	989,181
Senior management personnel	Salaries, allowances and incentives	1,730,000	3,385,000

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12 RELATED PARTY TRANSACTIONS (CONTINUED)**a. Due from related party represent as follow:**

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Adeer Holding Company	32,247,290	32,247,290
	32,247,290	32,247,290

* Due from a related party is represented in in-kind investments in the form of shares in the Akhayal scheme project in the eastern region, amounting to 32,247,290 Saudi riyals as of June 30, 2023 (December 31, 2022: 32,247,290 Saudi riyals), and the details of the movement on the investment are as follows:

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Balance at the beginning of the period / The fair value at the date of acquisition	32,247,290	23,941,196
The change in the fair value of financial assets through other comprehensive income at the period / year	-	8,306,094
Balance at the end of the period / year	32,247,290	32,247,290

b. Due to related parties represent as follow:

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Adeer Asar Real Estate Co	1,939,662	1,817,492
	1,939,662	1,817,492

13. SHARE CAPITAL

The Company's share capital is SAR 375 million as at June 30, 2023 (December 31, 2022: SAR 375 million), consisting of 37.5 million shares as at June 30, 2023 (2022: 37.5 million shares) issued and fully paid, with a par value of SAR 10 Saudi share.

14. REVENUE

	For the six months period ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Real estate project revenues	60,744,647	86,807,511
Real estate project management fees revenue	58,954,805	11,334,856
Contracting work revenue	-	44,000,000
Real estate brokerage revenue	-	13,932,755
	119,699,452	156,075,122

The total revenue from related parties amounted to SAR 58,954,805 for the period ended June 30, 2023 (June 30, 2022: SAR 69,267,611) Note 12.

15. COST OF REVENUE

	For the six months period ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Cost of real estate project revenue	53,450,548	76,383,834
Salaries and related benefits	9,544,636	6,848,898
Depreciation of the right to use assets	435,689	435,689
The costs of financing lease obligations	361,310	381,228
Contracting work costs	-	40,000,000
Other	524,205	182,499
	64,316,388	124,232,148

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16. GENERAL AND ADMINISTRATIVE EXPENSES

	For the six months period ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Legal and professional fees	1,725,251	1,377,473
Salaries and related benefits	1,140,341	1,163,982
General provision	750,000	500,000
Remuneration of board members	461,223	486,684
Depreciation of property and equipment	278,729	230,052
Depreciation of the right to use assets	258,822	204,696
Subscription fees	242,308	195,505
amortization of intangible assets	123,345	123,345
Other	453,791	562,854
	5,433,810	4,844,591

17. EARNINGS PER SHARE

Earnings per share relating to net income has been calculated by dividing the net income for the period by the weighted average number of shares outstanding during the period, which amounted to 37,5 million shares as on June 30, 2023 (June 30, 2022: 37,5 million shares).

Diluted earnings per share was calculated by dividing the net profit for the period by the weighted average number of shares outstanding during the period adjusted for the potential reduction in ordinary shares, As there is no contingent liability for equity instruments, the diluted earnings per share are not different from basic earnings per share.

18. CONTINGENT LIABILITIES

As of June 30, 2023, the Company has contingent liabilities in the form of letters of guarantee amounting to SAR 124,976,860 (December 31, 2022: SAR 124,976,860).

19. SEGMENT INFORMATION

The segment information is attributable to the Company's activities and business as approved by Company's management to be used as a basis for the financial reporting preparation and consistent with the internal reporting process, Transactions between the business segments are conducted as another parties' transaction.

Segments' assets, liabilities and the operational activities comprise items that are directly attributable to certain segment and items that can reasonably be allocated between various business segments. Unallocated items are included under joint assets and liabilities. The company has developed the following reports and sectors which all operate in the Kingdom of Saudi Arabia.

Contracting and real estate projects: This section of business deals with real estate projects mostly accomplished by the company with the help of subcontractors.

Real Estate Project Management: This sector constitutes real estate project management. These project are owned by real estate developers and the company charges them only for management fees.

Investments: This represents the company's direct and indirect investments in real estate and project development, which can be sold before or after the completion of development work.

SUMOU REAL ESTATE COMPANY**(SAUDI JOINT STOCK COMPANY)****NOTS TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2023**

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19. SEGMENT INFORMATION (CONTINUED)

The following summary financial information sector in Saudi Riyal according to the nature of the activity:

	Contracting and real estate project	Real estate project management	Investments	Joint assets and liabilities	Total
As of 30 June 2023:					
Total assets	235,336,906	6,730,000	477,041,158	20,998,762	740,106,826
Total liabilities	148,672,177	7,112,972	-	11,994,656	167,779,805
For the period ended 30 June 2023:					
Revenue	60,744,647	58,954,805	-	-	119,699,452
Gross profit	6,497,100	48,885,964	-	-	55,383,064
As of 31 December 2022:					
Total assets	204,272,253	7,730,000	449,722,297	56,526,103	718,250,653
Total liabilities	163,616,509	6,617,492	-	14,437,129	184,671,130
For the period ended 30 June 2022:					
Revenue	130,807,511	11,334,856	-	13,932,755	156,075,122
Gross profit	7,196,732	10,713,487	-	13,932,755	31,842,974

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's activities are exposed to various financial risks such as fair value measurement, credit risk, liquidity risk, foreign currency risk and capital management risk. Management reviews and approves policies to manage each of these risks, which are summarized as follows:

Fair value measurement of financial instruments

Fair value is the amount at which an asset is sold or a liability settled between willing parties in the arm's length transactions at the date there is a presumption that the Group is a going concern entity where there is no intention or requirement to materially reduce the volume of its operations or to conduct a transaction on adverse terms.

A financial instrument is considered to be listed in the active market if the quoted prices are readily and regularly available from an intermediary, industry group, pricing services or regulatory body, and these prices represent market transactions that have occurred on an active and regular basis on a commercial basis.

When measuring fair value, the company uses observable market information whenever possible to the inputs used in valuation methods as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that can be obtained on the measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for assets or liabilities directly (eg prices) or indirectly derived from prices.

Level 3: inputs for assets or liabilities not based on observable market information (non-observable inputs).

Capital risk management

Management policy is to maintain an adequate capital base in order to maintain investor, creditor and market confidence and to maintain the future development of its business. Management monitors the return on the capital used and the level of dividends distributed to shareholders.

In managing capital, the company aims to:

- To protect the entity's ability to continue as a going concern so that it can continue to provide returns to shareholders and interest to other stakeholders.
- Provide sufficient returns for shareholders.

Market risk

Market risk is the risk that a financial instrument will fluctuate due to changes in prevailing market prices such as foreign exchange rates, interest rates and stocks prices affecting the Group's income or the value of its financial instruments. Market risk management aims to manage and control market risk exposure within acceptable limits while maximizing returns.

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20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**Foreign currency risk management**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in currencies other than the company's currency. Most of the company's transactions are made in Saudi Riyals. The Company's management believes that its exposure to foreign currency risk is not significant.

Other Prices risk

The Company is exposed to price risk from its investments in the equity of other companies. The Company retains these investments for strategic purposes and not for trading purposes and the Company does not trade in those investments.

Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Company is exposed to credit risk on its bank balances and accounts receivable as follows:

	30 June 2023	31 December 2022
	(Unaudited)	(Audited)
Cash at banks	64,557,904	83,797,263
	64,557,904	83,797,263

Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value.

The company manages its liquidity risk by ensuring that the necessary funds are available when needed.

21. SUBSEQUENT EVENTS

On August 20, 2023, Saudi Tadawul approved the request of Sumou Real Estate Company to transfer from the parallel market (Nomu) to the main market, with a capital of 375,000,000 Saudi riyals and 37,500,000 shares.

22. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation in the current period.

23. GENERAL

The figures in these condensed consolidated interim financial statements are rounded to the nearest Saudi riyal.

24. APPROVAL OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved by the board of directors on Safar 07, 1445H corresponding to August 23, 2023.