

**SUMOU REAL ESTATE COMPANY**  
(A Saudi Joint Stock Company)

**CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
AND REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL  
STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2021**



Al Azem, Al Sudairy, Al Shaikh & Partners  
CPA's & Consultants - Member Crowe Global

**SUMOU REAL ESTATE COMPANY**  
(A Saudi Joint Stock Company)

**CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
AND REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2021**

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

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

**Introduction:**

We have reviewed the accompanying condensed interim statement of financial position of Sumou Real Estate Company (the "Company") as at 30 June 2021, and the related condensed 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 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 interim financial statements based on our review.

**Scope of Review:**

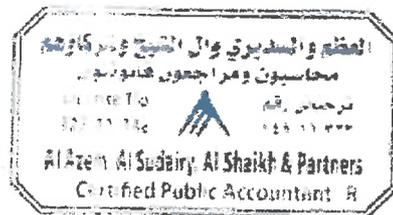
We conducted our review in accordance with International Standard on Review Engagements (2410), "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" that is endorsed in the Kingdom of Saudi Arabia. A review of condensed interim financial statements consists of 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.

**Other Matter**

The condensed interim financial statements for the period of six months ended 30 June 2020 have been reviewed by another auditor who expressed an unmodified conclusion on the condensed interim financial statements on 20 July 2020, and the financial statements for the year ended 31 December 2020 have been audited by the same auditor who expressed an unmodified opinion on the financial statements on 28 February 2021.

**Conclusion:**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed 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  
Certified Public Accountants**



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

Muharam 07, 1443H (August 15, 2021)  
Khobar, Kingdom of Saudi Arabia.

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License No. 335

SUMOU REAL ESTATE COMPANY  
(SAUDI JOINT STOCK COMPANY)  
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (Unaudited)  
AS AT 30 JUNE 2021  
(Saudi Riyals)

	Note	30 June 2021 (Unaudited)	31 December 2020 (Audited)
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment, net		697,402	808,686
Investment in real estate under development	7	60,220,776	60,220,776
Investments in associate companies	11	358,753,521	286,137,718
Right of use Assets, net	9	663,206	-
Intangible assets, net	10	830,413	-
Investments in real estate project under development	8	-	174,139,747
<b>TOTAL NON-CURRENT ASSETS</b>		<b>421,165,318</b>	<b>521,306,927</b>
<b>CURRENT ASSETS</b>			
Real estate held for sale	6	12,390,644	12,390,644
Prepayments and other assets		11,745,048	5,795,991
Accounts receivables		6,571,021	11,308,855
Cash and cash equivalents	5	21,120,943	7,635,012
<b>TOTAL CURRENT ASSETS</b>		<b>51,827,656</b>	<b>37,130,502</b>
<b>TOTAL ASSETS</b>		<b>472,992,974</b>	<b>558,437,429</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	13	375,000,000	250,000,000
Statutory reserve		27,353,971	27,353,971
Retained earnings		60,141,601	138,023,531
Revaluation reserve investments through OCI		(16,836,864)	(14,261,087)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>445,658,708</b>	<b>401,116,415</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease obligations - non-current portion	9	408,140	-
Employee benefit obligations		3,552,660	2,895,180
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>3,960,800</b>	<b>2,895,180</b>
<b>CURRENT LIABILITIES</b>			
Zakat provision		594,731	1,853,524
Long term loans - current portion	8	-	110,000,000
Due to related parties	12	8,209,259	14,579,205
Accrued expenses and other liabilities		5,769,396	8,453,644
Lease obligations - current portion	9	260,619	-
Account payables		8,539,461	19,539,461
<b>TOTAL CURRENT LIABILITIES</b>		<b>23,373,466</b>	<b>154,425,834</b>
<b>TOTAL LIABILITIES</b>		<b>27,334,266</b>	<b>157,321,014</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>472,992,974</b>	<b>558,437,429</b>

  
Finance Manager

  
Chief Executive Officer

  
Chairman of the Board

The attached notes (1) to (22) form an integral part of these condensed interim financial statements.

SUMOU REAL ESTATE COMPANY  
(SAUDI JOINT STOCK COMPANY)  
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (Unaudited)  
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021  
(Saudi Riyals)

	Note	For the six months period ended 30 June	
		2021 (Unaudited)	2020 (Unaudited)
Revenue		33,334,856	49,913,893
Cost of revenue		(742,058)	(3,825,041)
<b>Gross operating profit for the period</b>		<b>32,592,798</b>	<b>46,088,852</b>
General and administrative expenses		(8,509,837)	(5,899,119)
<b>Net profit of period from main operations</b>		<b>24,082,961</b>	<b>40,189,733</b>
Finance cost		(1,109,812)	(4,158,761)
The company's share of the results of the business of the associates	11-c	25,117,833	(424,278)
Other income		-	942,813
<b>Net profit for the period before zakat</b>		<b>48,090,982</b>	<b>36,549,507</b>
Estimated zakat		(594,731)	(500,000)
<b>Net profit for the period</b>		<b>47,496,251</b>	<b>36,049,507</b>
<b>Earnings per share</b>			
Basic and diluted earnings per share from net profit for the period	14	1.27	0.96

  
Finance Manager

  
Chief Executive Officer

  
Chairman of the Board

The attached notes (1) to (22) form an integral part of these condensed interim financial statements.

SUMOU REAL ESTATE COMPANY  
(SAUDI JOINT STOCK COMPANY)  
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Unaudited)  
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021  
(Saudi Riyals)

	Note	For the six months period ended	
		30 June	30 June
		2021	2020
		(Unaudited)	(Unaudited)
Net profit for the period		47,496,251	36,049,507
<b>Items that will not be subsequently reclassified into profit or loss:</b>			
Net change of fair value for investments through OCI		(2,575,777)	-
Actuarial losses from re-measurement for employees' defined benefits		(378,181)	(103,929)
<b>Other Comprehensive income for the period</b>		<b>(2,953,958)</b>	<b>(103,929)</b>
<b>Total comprehensive income for the period</b>		<b>44,542,293</b>	<b>35,945,578</b>

  
Finance Manager

  
Chief Executive Officer

  
Chairman of the Board

The attached notes (1) to (22) form an integral part of these condensed interim financial statements.

**SUMOU REAL ESTATE COMPANY  
(SAUDI JOINT STOCK COMPANY)  
CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)  
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021  
(Saudi Riyals)**

	Share capital	Statutory reserve	Retained earnings	Revaluation reserve investments through OCI	Total shareholders' equity
<b>Balance as at 1 January 2020 (Audited)</b>	250,000,000	20,215,848	111,675,621	(3,956,498)	377,934,971
Net profit for the period	-	-	36,049,507	-	36,049,507
Other comprehensive loss for the period	-	-	(103,929)	-	(103,929)
Dividends distribution	-	-	(25,000,000)	-	(25,000,000)
<b>Balance as at 30 June 2020 (Unaudited)</b>	250,000,000	20,215,848	122,621,199	(3,956,498)	388,880,549
<b>Balance as at 1 January 2021 (Audited)</b>	250,000,000	27,353,971	138,023,531	(14,261,087)	401,116,415
Net profit for the period	-	-	47,496,251	-	47,496,251
Other comprehensive loss for the period	-	-	(378,181)	(2,575,777)	(2,953,958)
Increase in Capital (Note 13)	125,000,000	-	(125,000,000)	-	-
<b>Balance as at 30 June 2021 (Unaudited)</b>	375,000,000	27,353,971	60,141,601	(16,836,864)	445,658,708

  
Finance Manager

  
Chief Executive Officer

  
Chairman of the Board

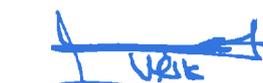
The attached notes (1) to (22) form an integral part of these condensed interim financial statements.

SUMOU REAL ESTATE COMPANY  
(SAUDI JOINT STOCK COMPANY)  
CONDENSED INTERIM STATEMENT OF CASH FLOWS (Unaudited)  
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021  
(Saudi Riyals)

	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)
<b>OPERATING ACTIVITIES</b>		
Net profit for the period	47,496,251	36,049,507
<b>Adjustments to reconcile net profit with net cash provided by operating activities:</b>		
Depreciation and amortization	369,355	117,424
The company's share of the results of the business of the associates	(25,117,833)	424,278
Loss from disposal of property, plant and equipment	11	-
Finance cost	11,312	-
Employee benefit obligations	316,103	311,601
Zakat provision	594,731	500,000
	<u>23,669,930</u>	<u>37,402,810</u>
<b>Operating assets and liabilities:</b>		
Account receivables	4,737,834	(10,381,220)
Prepayments and other assets	(5,949,057)	115,532
Accrued expenses and other liabilities	(2,684,248)	(309,751)
Account payables	(11,000,000)	-
Paid employee benefit obligations	(36,804)	(9,885)
Zakat paid	(1,853,524)	-
<b>Net cash provided by operating activities</b>	<u>6,884,131</u>	<u>26,817,486</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(33,173)	(13,797)
Purchase intangible assets	(922,681)	-
Proceeds from real estate held for sale	-	3,640,072
<b>Net cash (used in) provided by investing activities</b>	<u>(955,854)</u>	<u>3,626,275</u>
<b>FINANCING ACTIVITIES</b>		
lease obligations paid	(138,400)	-
Change in related parties and investments in real estate project	117,696,054	4,006,108
Payment of loans	(110,000,000)	(8,049,880)
<b>Net cash provided by (used in) financing activities</b>	<u>7,557,654</u>	<u>(4,043,772)</u>
Net change in cash and cash equivalents	13,485,931	26,399,989
Cash and cash equivalents at beginning of the period	7,635,012	6,773,820
<b>Cash and cash equivalents at end of the period</b>	<u>21,120,943</u>	<u>33,173,809</u>
<b>Non-cash transactions</b>		
Unrealized loss of fair value for investments through OCI	(2,575,777)	-
Increase in capital	125,000,000	-
Shares transferred from investments in real estate projects to investments in an associate company	68,055,778	-
Transfer from the investment in associate company balance to due to a related party balance (recovery of permanent financing exchange investment in associate company)	17,982,031	-
Accrued dividends distribution	-	25,000,000

  
Finance Manager

  
Chief Executive Officer

  
Chairman of the Board

The attached notes (1) to (22) form an integral part of these condensed interim financial statements.

**SUMOU REAL ESTATE COMPANY  
(SAUDI JOINT STOCK COMPANY)**  
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021  
(Saudi Riyals)

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**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 sale activities on the map.

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

On 7/4/1441H corresponding to 4/12/2019, the Capital Market Authority announced the issuance of the Authority's Board's decision approving the request of Sumou Real Estate Company "The Company" to offer (7,500,000) shares representing (30%) of its shares in the Parallel market. The offering will be limited to the categories of eligible investors mentioned in the regulations and rules of the Capital Market Authority, and the prospectus will be published sufficiently in advance of the launch date.

And the Capital Market Authority decided on date 5/9/1441 H corresponding 28/4/2020 to approve the company request to reduce the number of shares to be put on the parallel market to (1,250,000) share represent (5%) from the company capital. And on date 8/9/1441 H corresponding 11/5/2020 is inserted and started trading on behalf the company in the secondary market (Numo).

**2. BASIS OF PREPARATION CONDENSED INTERIM FINANCIAL STATEMENTS**

**2-1 Statement of compliance:**

These Condensed 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 Certified Public 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 2020. 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, 2020.

The Capital Market Authority issued the decision of the Board of Commissioners on 15 Muharram 1438H (16 October 2016) to require listed companies to apply the cost model when measuring the assets of property and equipment, investment properties and intangible assets when adopting the IFRS for a period of 3 years begin from the date of adoption of the International Financial Reporting Standards, On December 31, 2019, it was extended until the financial periods of the year beginning on January 1, 2022, and continue to comply with the requirements for disclosure of IFRS adopted in the Kingdom of Saudi Arabia, which require disclosure of fair value.

**2-2 Basis of measurement**

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

**SUMOU REAL ESTATE COMPANY**  
**(SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021**  
(Saudi Riyals)

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

**2-4 Use of estimates and judgments and assumptions:**

The preparation of condensed 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 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 Certified Public Accountants ("SOCPA") and are the same policies applied in the company's annual financial statements for the year ended December 31, 2020.

The main accounting policies applied in preparing these condensed interim financial statements have been applied consistently to all periods presented.

**New standards and amendments to standards and interpretations**

No new standards have been issued, however, a number of amendments to the standards are in effect as of January 1, 2021, which have been explained in the company's annual financial statements, but have no material impact on the Company's condensed interim financial statements.

**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 2021 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. CASH AND CASH EQUIVALENTS**

This item consists of the following:

	<b>30 June 2021</b>	<b>31 December 2020</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Cash on hand	<b>16,817</b>	-
Cash at banks	<b>14,852,635</b>	1,383,521
Restricted cash at banks (5-1)	<b>6,251,491</b>	6,251,491
<b>Cash and Cash Equivalents</b>	<b>21,120,943</b>	<b>7,635,012</b>

**5-1** A restricted account for the Wafi project (Telal Makkah) is a land development under the supervision of the Ministry of Housing. The restricted amount cannot be disposed of until the land is sold and ownership is transferred to the buyers of those lands.

**6. REAL ESTATE HELD FOR SALE**

- A.** This item represents lands held for sale as per company's board of directors' decision dated 31/12/2019. The lands are stated at cost and are not depreciated and will be recovered through sale. The company is making efforts for selling the lands; however, selling part of the lands without making profit is due to the circumstances affecting the real estate market arising from the COVID-19.
- B.** The company obtains a valuation by an independent valuer of the properties held for sale at the end of each financial reporting period, the fair value of each property is updated separately by the management by taking into account the last independent valuation as on the date of preparing the condensed interim financial statements for the six-month period ending on June 30, 2021, the company's lands were valued as on June 30, 2021 at an amount of SAR 12,833,167 (December 31, 2020 an amount of SAR 12,390,644) using the first level fair value measurement, where the assessment was calculated based on an assessment from (Topaz Real Estate Appraisal Office) under Commercial Registration No. 4030595933 - Licensed Resident No. 1210001140).

**SUMOUL REAL ESTATE COMPANY**  
**(SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021**  
(Saudi Riyals)

**6. REAL ESTATE HELD FOR SALE (CONTINUED)**

C. The movements in this item are summarized as follows:

	<b>30 June 2021</b>	31 December 2020
	<b>(Unaudited)</b>	(Audited)
Balance at the beginning of the period/year	12,390,644	16,030,716
Sold during the period/year	-	(3,640,072)
<b>Balance at the ending of the period /year</b>	<b>12,390,644</b>	<b>12,390,644</b>

D. This land was mortgaged in favor of a local bank as a guarantee for the loan granted to the company during the current period and on February 21, 2021 the mortgage on the deed was released and became the property of Sumou Real Estate Company and free of mortgage after the company repaid the loan.

**7. INVESTMENT IN REAL ESTATE UNDER DEVELOPMENT**

	<b>30 June 2021</b>	31 December 2020
	<b>(Unaudited)</b>	(Audited)
Lands	60,220,776	60,220,776
	<b>60,220,776</b>	<b>60,220,776</b>

A. The company obtains a valuation by an independent valuer of the properties held for sale at the end of each financial reporting period, the fair value of each property is updated separately by the management by taking into account the last independent valuation as on the date of preparing the condensed interim financial statements for the six-month period ending on June 30 2021, the company's lands were valued as on June 30, 2021 at an amount of SAR 61,034,066 (December 31, 2020 an amount of SAR 62,629,606) using the first level fair value measurement, where the assessment was calculated based on an assessment from (Topaz Real Estate Appraisal Office) under Commercial Registration No. 4030595933 - Licensed Resident No. 1210001140).

B. These lands were mortgaged in favor of a local bank as a guarantee for the loan granted to the company during the current period. On February 21, 2021 the mortgage on the lands deeds was released and became the property of Sumou Real Estate Company and free of mortgage after the company repaid the loan.

**8. INVESTMENT IN REAL ESTATE PROJECT UNDER DEVELOPMENT**

During the period, the company signed a loan repayment agreement with Sumou Holding Company, according to which Sumou Real Estate Company waived an amount of 113,160,313 Saudi riyals from its share in the entrance to Makkah project in favor of Sumou Holding Company in return for Smou Holding Company to repay the loan based on Sumou Real Estate Company.

During the period, the company also signed a share swap agreement with Sumou Holding Company, according to which Sumou Holding Company waived (10%) of its share in the ownership of Tanal Development and Real Estate Investment Company as on December 31, 2020 in favor of Sumou Real Estate Company for an amount of 68,055,780 Saudi riyals in return for obtaining Sumou Holding Company acquires an investment share of the same value in the entrance to Makkah project.

SUMOU REAL ESTATE COMPANY  
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021  
(Saudi Riyals)

9. **RIGHT OF USE ASSETS AND LEASE OBLIGATIONS, NET**

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

	<u>Building</u>	<u>Total</u>
<b><u>Cost</u></b>		
The balance as at January 01, 2021	-	-
Additions during the period	795,847	795,847
<b>The balance as at June 30, 2021</b>	<b>795,847</b>	<b>795,847</b>
<b><u>Accumulated depreciation</u></b>		
The balance as at January 01, 2021	-	-
Charge for the period	132,641	132,641
<b>The balance as at June 30, 2021</b>	<b>132,641</b>	<b>132,641</b>
<b><u>Net book value</u></b>		
As at 30 June 2021	<b>663,206</b>	<b>663,206</b>
As at 31 December 2020	-	-

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

	<u>30 June 2021</u> <u>(Unaudited)</u>	<u>31 December 2020</u> <u>(Audited)</u>
Non-current lease obligations	408,140	-
Current lease obligations	260,619	-
<b>Total lease obligations</b>	<b>668,759</b>	-

The finance cost recognized from lease obligations during the period ended 30 June 2021 is amounted to 11,312 SAR.

10. **INTANGIBLE ASSETS, NET**

The following table shows the movement of intangible assets, which are represented in the value of accounting programs as follows:

	<u>Software</u>	<u>Total</u>
<b><u>Cost</u></b>		
The balance as at January 01, 2021	-	-
Additions during the period	922,681	922,681
<b>The balance as at June 30, 2021</b>	<b>922,681</b>	<b>922,681</b>
<b><u>Accumulated amortization</u></b>		
The balance as at January 01, 2021	-	-
Charge for the period	92,268	92,268
<b>The balance as at June 30, 2021</b>	<b>92,268</b>	<b>92,268</b>
<b><u>Net book value</u></b>		
As at 30 June 2021	<b>830,413</b>	<b>830,413</b>
As at 31 December 2020	-	-

**SUMOOU REAL ESTATE COMPANY**  
**(SAUDI JOINT STOCK COMPANY)**  
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021  
(Saudi Riyals)

**11. INVESTMENT IN ASSOCIATE COMPANIES**

	<b>30 June 2021</b>	31 December 2020
	<b>(Unaudited)</b>	(Audited)
Investments in Western Dhahiat Company (11-a)	<b>283,320,437</b>	286,137,718
Investments in Tanal Company for Investment and Real Estate Development (11-b)	<b>75,433,084</b>	-
	<b>358,753,521</b>	286,137,718

**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.
  - The return on investment in the associate was calculated based on the unaudited financial statement for the period ending on June 30, 2021 which is prepared by the company's management.
- The financial information of the associate company is summarized as follows:

	<b>30 June 2021</b>	31 December 2020
	<b>(Unaudited)</b>	(Audited)
Total assets	<b>1,133,393,051</b>	1,144,662,174
Total liabilities	<b>111,300</b>	111,300
Equity	<b>1,133,281,751</b>	1,144,550,874
Revenue	-	-
Expenses	<b>(966,014)</b>	(1,381,796)
Net loss	<b>(966,014)</b>	(1,381,796)
Other comprehensive loss	<b>(10,303,109)</b>	(41,307,439)

**The investment movement (book value settlement)**

	<b>30 June 2021</b>	31 December 2020
	<b>(Unaudited)</b>	(Audited)
	<b>SR</b>	SR
Beginning balance for the period / year	<b>286,137,718</b>	218,114,438
Company's share of net loss for the period/year	<b>(241,504)</b>	(345,449)
Company's share of other comprehensive loss for the period/year	<b>(2,575,777)</b>	(10,326,860)
Shares transferred from related party - additional contributions	-	78,695,589
	<b>283,320,437</b>	286,137,718

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

During the period, the company also signed a share swap agreement with Sumou Holding Company, according to which Sumou Holding Company waived (10%) of its share in the ownership of Tanal Development and Real Estate Investment Company as on December 31, 2020 in favor of Sumou Real Estate Company for an amount of 68,055,780 Saudi riyals in return for obtaining Sumou Holding Company acquires an investment share of the same value in the entrance to Makkah project.

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 20% voting rights in Tanal Real Estate Investment and Development Company on operational and administrative decisions and this was considered as an important influence. Also, 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 Sumou Holding 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.

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**11. INVESTMENT IN ASSOCIATE COMPANIES (CONTINUED)**

**b) Investments in Tanal Company for Investment and Real Estate Development (continued)**  
**Summary of the consolidated statement of profit or loss and other comprehensive income**

	For the six months period ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Revenue	619,290,291	-
Profit from main operations	261,222,907	-
Net profit for the period	253,593,368	-
Other comprehensive income for the period	253,593,368	-
Company's share of the profit for the period	25,359,337	-

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 2021 (Unaudited)	31 December 2020 (Audited)
<b>Assets</b>		
Non-current assets	743,752,282	-
Current assets	229,361,986	-
<b>Total assets</b>	<b>973,114,268</b>	<b>-</b>
<b>Liabilities and owner's equity</b>		
Non-current liability	180,629,173	-
Current liability	38,154,258	-
Total owner's equity	754,330,837	-
<b>Total liabilities and owner's equity</b>	<b>973,114,268</b>	<b>-</b>

**The investment movement (book value settlement)**

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Investment cost	68,055,778	-
Other equity component recovery (Note 12)	(17,982,031)	-
<b>Total share in equity</b>	<b>50,073,747</b>	<b>-</b>
Share of accumulated profit at beginning of the period / year	-	-
Share of profit during the period / year	25,359,337	-
<b>The share of the accumulated profit at the end of the period / year</b>	<b>25,359,337</b>	<b>-</b>
<b>Book value of the investment</b>	<b>75,433,084</b>	<b>-</b>

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

	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)
Tanal for Investment and real-estate Development Company	25,359,337	-
Western Dhahiat Company	(241,504)	(424,278)
	<b>25,117,833</b>	<b>(424,278)</b>

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**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 2021 and 2020, as follows:

Name	Relationship
Sumou Holding company	Shareholder
Tanal Investment and Real Estate Development Company	Associate company

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

Description	Nature of the transaction	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)
Tanal Investment and Real Estate Development Company	Recovering permanent financing against the investment in the associate *	17,982,031	-
Sumou holding company	Financing	113,160,313	4,006,108
Sumou holding company	Share exchange	68,055,778	-
Members of the Board of Directors and other committees	Bonuses and allowances	990,000	792,000
Senior management personnel	Salaries, allowances and incentives	1,450,000	1,930,000

\* The partners in Tanal Real Estate Investment and Development Company decided, on September 30, 2020, to recover part of the permanent financing in exchange for investment in the associate - Tanal Real Estate Development and Investment Company, in proportion to land sales, as the associate company does not need liquidity.

- Due to related parties represent as of, the following:

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Tanal Investment and Real Estate Development Company	8,209,259	-
Sumou Holding company	-	14,579,205
	<u>8,209,259</u>	<u>14,579,205</u>

**13. SHARE CAPITAL**

The capital of the company, after approving its listing on the Parallel Market - Nomu on 11/5/2020, consists of 25 million shares with a nominal value of 10 Saudi riyals per share, with a value of 250,000,000 Saudi riyals.

On the date of Ramadan 23 1442 AH (corresponding to May 5, 2021), the shareholders approved an increase in the company's capital from SAR 250,000,000 to SAR 375,000,000, so that the number of shares before the increase amounted to 25 million shares, to rise after the increase to 37.5 million shares with an increase of 12.5 million shares by issuing one free share for every two shares owned, and the value of the capital increase was financed from the retained earnings of 125 million Saudi riyals.

**14. 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, 2021 (June 30, 2020: 37.5 million shares).

The number of shares has been retrospectively adjusted for the previous period in order to show the effect of the bonus shares issued.

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.

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**15. CONTINGENT LIABILITIES**

As of June 30, 2021, the Company has contingent liabilities in the form of letters of guarantee amounting to SAR 43,799,971 (December 31, 2020: SAR 41,558,051).

**16. 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

**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.

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

	<b>Real estate construction</b>	<b>Real estate project management</b>	<b>Investments</b>	<b>Joint assets and liabilities</b>	<b>Total</b>
<b>As of 30 June 2021:</b>					
Total assets	-	22,622,511	431,364,941	19,005,522	<b>472,992,974</b>
Total liabilities	8,539,461	4,800,000	8,209,259	5,785,546	<b>27,334,266</b>
Revenue	-	33,334,856	-	-	<b>33,334,856</b>
Gross profit	-	32,592,798	-	-	<b>32,592,798</b>
<b>As of 31 December 2020:</b>					
Total assets	-	22,360,346	532,888,885	3,188,198	<b>558,437,429</b>
Total liabilities	19,539,461	4,800,000	110,000,000	22,981,553	<b>157,321,014</b>
<b>As of 30 June 2020:</b>					
Revenue	-	49,913,893	-	-	<b>49,913,893</b>
Gross profit	-	46,088,852	-	-	<b>46,088,852</b>

**17. 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.

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**17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**

**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.

**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:

	<b>30 June 2021</b>	<b>31 December 2020</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Cash at banks	<u>21,120,943</u>	<u>7,635,012</u>
Accounts receivable	<u>6,571,021</u>	<u>11,308,855</u>
	<u><b>27,691,964</b></u>	<u><b>18,943,867</b></u>

**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.

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**18. IMPORTANT EVENTS**

- A) An indication of what the World Health Organization announced that it considers the new Corona virus a "global pandemic", and this epidemic has resulted in disturbances in economic and commercial activities worldwide. The company would like to point out that its operating revenues for the period until 30 June 2021 were affected, like other companies, due to its inability to fully achieve the desired revenue due to the continued application of precautionary measures. Due to the inability to determine the expected extent of the end of this crisis and the consequences thereof, the company was unable to determine the effect of this on the financial statements for the coming periods.
- B) With reference to note No. (11-b), lands in the associate company were sold during the six month period ended 30 June 2021, with a total value of SAR 619,290,291 and the legal procedures related to emptying the sukuk have been completed. For the buyers, and this resulted in a net profit for the period amounting to SAR 253,593,368 the share of Sumou Real Estate Company from the profits of the associate company - Tanal for Investment and Real Estate Development Company for the period ended 30 June 2021, amounted to SAR 25,359,337.
- C) On August 23, 2020, the company entered into a sub-real estate development agreement with the National Housing Company for the Khayala residential project located in Jeddah - Al-Hamdaniya District, to build 404 villas on the lands of the Ministry of Housing allocated to Sumou Real Estate Company, at an estimated cost of 300 million Saudi riyals. The project is three and a half years, and during the subsequent period on July 15, 2021, the company signed two construction contracting contracts with the International Company for Modern Industries and the Modern Rail Company Limited, which are the contractors' contracts, The company started the preparatory work for launching the project after it received the project land from the National Housing Company.

**19. SUBSEQUENT EVENTS**

In the opinion of the management, there were no significant subsequent events after 30 June 2021 until the date of approval of the condensed interim financial statements by the Board of Directors, which may have a material impact on the condensed interim financial statements as of 30 June 2021.

**20. COMPARATIVE FIGURES**

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

**21. GENERAL**

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

**22. APPROVAL OF CONDENSED INTERIM FINANCIAL STATEMENTS**

The condensed interim financial statements were approved by the board of directors Muharam 07, 1443H corresponding to August 15, 2021.