

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

**CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2024**

SUMO REAL ESTATE COMPANY
(SAUDI JOINT STOCK COMPANY)

**CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2024**

INDEX	PAGE
Independent Auditors' Report	1 - 4
Consolidated Statement of Financial position	5
Consolidated Statement of profit or loss	6
Consolidated Statement of other comprehensive income	7
Consolidated Statement of changes in shareholders' equity	8
Consolidated Statement of cash flows	9
Notes to the consolidated financial statements	10 – 39



INDEPENDENT AUDITOR'S REPORT

**TO: THE SHAREHOLDERS OF
SUMOU REAL ESTATE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

Al Khobar – Kingdom of Saudi Arabia

Opinion

We have audited the consolidated financial statements of Sumou Real Estate Company, (the “Company”), and its subsidiaries (collectively referred to as “the Group”), which comprise the consolidated statement of financial position as at December 31, 2024, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholder’s equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a material accounting policy information.

In our opinion the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (SOCPA).

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (“The Code”), that is endorsed in the Kingdom of Saudi Arabia that is relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with the code’s requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

The key audit matters are those matters that, in our professional judgment, were of utmost significance in our audit of the consolidated financial statements for the current year. These matters were considered in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion on these consolidated financial statements, rather than for the purpose of expressing a separate opinion on these matters. Below is a description of each key audit matter and how it was addressed.


INDEPENDENT AUDITOR'S REPORT
SUMOU REAL ESTATE COMPANY
(A SAUDI JOINT STOCK COMPANY) (CONTINUED)

Key Audit Matters (continued)

Key Audit Matter	How the matter was addressed in our audit
<p>Revenue Recognition</p> <p>The Group assesses revenue recognition under requirements of IFRS 15 "Revenue from contracts with customers" for each of its contracts with customers. Certain judgments are applied, and estimates are made in assessing the timing of revenue recognition and measurement of revenue based on completion of the underlying performance obligations.</p> <p>The Group estimates total development costs required to meet performance obligations related to revenues and determines appropriate proportion of related revenue and cost as percentage of completion of those obligations as at the end of the reporting period.</p> <p>Revenue recognition was assessed as a key audit matter due to the significance of the assessment and judgments applied and estimates made in assessing the timing of revenue recognition.</p> <p>Refer to note 3-1 and 3-20 and note 25 for details about policies, judgments, and estimates used in relation to revenue recognition and the detail about relevant disclosures.</p>	<ul style="list-style-type: none"> - The audit procedures we performed, among others, based on our judgment, included the following: - Evaluated the appropriateness of the accounting policies relating to the revenue recognition and the extent of compliance with the accounting standards associated thereto. - Assessed the design and implementation of internal control procedures related to revenue recognition and their operational effectiveness, including anti-fraud control procedures. - On a sample basis, we assessed the appropriateness of percentage of the contracts completion by recalculating the completion percentage by reference to the costs incurred to date compared to the estimated total cost, where the performance obligation is satisfied over time to verify the balances of revenue, contract assets or contract liabilities, and trade receivables. - On a sample basis, we assessed the accuracy of the Group forecasts related to estimating the contracts completion cost, mainly identification of the completion percentage considering the change in the related conditions between the event and date of measurement, and this may influence the suitability of the audit evidence obtained in this regard. - On a sample basis, we tested the revenue transactions recognized at a point of time with their supporting documents. - On a sample basis, we tested the revenue transactions with their supporting documents, to verify that the revenue is recorded in the correct period. - Inquired from the management representatives regarding fraud awareness and the existence of any actual fraud cases. - Assessing the adequacy of relevant disclosures in the consolidated financial statements.
<p>Key Audit Matter</p> <p>Investments in associates using the equity method</p> <p>As of December 31, 2024, the Group holds Investments in associates using the equity method amounting to SR 267,490,621 (2023: SR 306,932,738). The results of the associates are included in the financial statements using the equity method as significant influence is evident from the Group's ability to participate in financial and operating decisions.</p> <p>We consider this as a key audit matter because of the importance of the balances related to it in the accompanying financial statements.</p> <p>Refer to note 3-9 and note 14 for details about the judgments applied and estimates made in revenue recognition and the detail about relevant disclosures.</p>	<p>We performed the following procedures in relation to investments in Associates:</p> <ul style="list-style-type: none"> - Evaluating the appropriateness of the Group's accounting policies to measure investments using the equity method. - We have obtained audited financial statements of the associates for the year ended 31 December 2024 and reviewed the significant matters of those financial statements to ensure that the Group's share of profits and losses and its ownership percentage. - Assess the materiality and extent to which there is a significant impact on associated companies. - Assessing the adequacy of relevant disclosures in the consolidated financial statements.

**INDEPENDENT AUDITOR'S REPORT
SUMOU REAL ESTATE COMPANY
(A SAUDI JOINT STOCK COMPANY) (CONTINUED)**

Other Information included in the Group's annual report for the year 2024

Management is responsible for the other information. The other information comprises the information included in the Group's annual report for year 2024, other than the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. We are required to communicate the matter to those charged with governance.

Responsibilities of the Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of Companies regulations and Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. Board of Directors, are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

**INDEPENDENT AUDITOR'S REPORT
SUMOU REAL ESTATE COMPANY
(A SAUDI JOINT STOCK COMPANY) (CONTINUED)**

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exist related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosure in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



**Crowe Solutions
For Professional Consulting**



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

13 Ramadan 1446H (March 13, 2025)
Khobar, Kingdom of Saudi Arabia

SUMOU REAL ESTATE COMPANY
(Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2024
(Saudi Riyals)

	<u>Note</u>	<u>31 December</u> <u>2024</u>	<u>31 December</u> <u>2023</u>
<u>Assets</u>			
Non-current assets			
Property, and equipment - net	9	3,013,896	1,845,023
Investment properties	10	60,220,776	60,220,776
Projects under development	11	270,556,663	40,533,892
Right of use Assets, net	12-A	19,547,602	19,341,710
Intangible assets, net	13	293,304	539,998
Investments in associates using the equity method	14	267,490,621	306,932,738
Financial assets at fair value through OCI	15	87,118,784	81,979,022
Total non-current assets		708,241,646	511,393,159
Current assets			
Contract assets	8	48,036,022	46,817,517
Due from related parties	18-A	124,648,747	64,991,484
Inventory - Lands	7	12,390,644	10,355,038
Prepayments and other assets	6	86,927,274	69,138,358
Accounts receivables, net	5	60,506,258	33,888,850
Cash and cash equivalents	4	184,062,121	113,529,012
Total current assets		516,571,066	338,720,259
Total Assets		1,224,812,712	850,113,418
<u>Shareholders' equity and liabilities</u>			
Shareholders' equity			
Share capital	22	500,000,000	375,000,000
Statutory reserve	23	-	54,539,257
Retained earnings		136,550,438	126,234,985
Revaluation reserve for investments at fair value through OCI	24	(2,860,149)	(19,059,461)
Total shareholders' equity		633,690,289	536,714,781
Non-controlling interest		(1,296,590)	(938,594)
Net shareholders' equity		632,393,699	535,776,187
Non-current liabilities			
Lease liabilities - non-current portion	12-B	18,585,583	18,725,397
Land obligations against project under development - non-current portion	19-C	146,426,070	-
Advance payments from customers - non-current portion	20	-	18,174,944
Employees benefits obligations	21	5,931,350	4,443,568
Total non-current liabilities		170,943,003	41,343,909
Current liabilities			
Zakat provision	17	8,491,970	5,968,510
Lease liabilities - current portion	12-B	2,239,302	1,433,750
Accrued expenses and other liabilities	16	45,348,727	29,472,993
Due to related parties	18-B	98,111,820	100,033,955
Land obligations against project under development - current portion	19-C	136,037,667	73,271,772
Contract liabilities	8	18,296,144	-
Advance payments from customers -current portion	20	23,050,354	-
Account payables		89,900,026	62,812,342
Total current liabilities		421,476,010	272,993,322
Total liabilities		592,419,013	314,337,231
Total Shareholders' equity and liabilities		1,224,812,712	850,113,418

Finance Manager

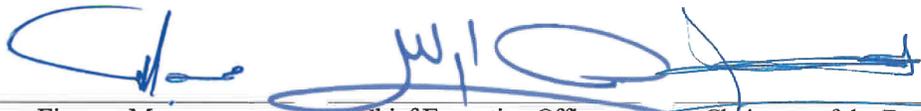
Chief Executive Officer

Chairman of the Board

The attached notes (1) to (35) form an integral part of these consolidated financial statements.

SUMOU REAL ESTATE COMPANY
(Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2024
(Saudi Riyals)

	<u>Note</u>	<u>2024</u>	<u>2023</u>
Revenue	25	429,506,260	273,818,470
Cost of revenue	26	<u>(320,680,567)</u>	<u>(157,766,254)</u>
Gross operating profit		108,825,693	116,052,216
General and administrative expenses	27	(10,593,184)	(13,191,165)
Marketing and selling expenses		<u>(3,444,580)</u>	-
Net profit from main operations		94,787,929	102,861,051
Finance cost		(1,249,271)	(1,245,461)
Expected credit loss provision for accounts receivables and contract assets		(3,037,596)	-
Provision for impairment of Inventory - lands	7	-	(2,035,606)
The Group's share of the results of Investments in associates using the equity method	14-C	16,622,149	8,473,317
Other income		<u>7,614,319</u>	<u>592,016</u>
Net profit before zakat		114,737,530	108,645,317
Zakat	17-B	(8,491,970)	(5,968,510)
Net profit for the year		106,245,560	102,676,807
Net profit attributed to:			
Shareholders		106,603,556	103,007,847
Non-controlling interest		(357,996)	(331,040)
		<u>106,245,560</u>	<u>102,676,807</u>
Earnings per share:			
Basic and diluted earnings per share from net profit for the year attributed to shareholders	28	<u>2.132</u>	<u>2.060</u>


Finance Manager Chief Executive Officer Chairman of the Board

The attached notes (1) to (35) form an integral part of these consolidated financial statements.

SUMOU REAL ESTATE COMPANY
(Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2024
(Saudi Riyals)

	<u>2024</u>	<u>2023</u>
Net profit for the year	106,245,560	102,676,807
Items that will not be subsequently reclassified into profit or loss:		
Net change of fair value for investments through OCI	16,199,312	(25,280,577)
Actuarial losses from re-measurement of Employee benefit obligations	(827,360)	(199,566)
Other Comprehensive income (loss) for the year	15,371,952	(25,480,143)
Total comprehensive income for the year	121,617,512	77,196,664
Total comprehensive income for the year attributed to:		
Shareholders	121,975,508	77,527,704
Non-controlling interest	(357,996)	(331,040)
	121,617,512	77,196,664


Finance Manager Chief Executive Officer Chairman of the Board

The attached notes (1) to (35) form an integral part of these consolidated financial statements.

SUMOU REAL ESTATE COMPANY
(Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended 31 December 2024
(Saudi Riyals)

	Share capital	Statutory reserve	Retained earnings	Revaluation reserve for investments through OCI	Total shareholders' equity	Non-controlling interest	Net shareholders' equity
Balance as at 1 January 2023	375,000,000	44,238,472	108,727,489	6,221,116	534,187,077	(607,554)	533,579,523
Net profit for the year	-	-	103,007,847	-	103,007,847	(331,040)	102,676,807
Other comprehensive loss	-	-	(199,566)	(25,280,577)	(25,480,143)	-	(25,480,143)
Total comprehensive income for the year	-	-	102,808,281	(25,280,577)	77,527,704	(331,040)	77,196,664
Dividends distribution (note 30)	-	-	(75,000,000)	-	(75,000,000)	-	(75,000,000)
Transferred to statutory reserve	-	10,300,785	(10,300,785)	-	-	-	-
Balance as at 31 December 2023	375,000,000	54,539,257	126,234,985	(19,059,461)	536,714,781	(938,594)	535,776,187
Balance as at 1 January 2024	375,000,000	54,539,257	126,234,985	(19,059,461)	536,714,781	(938,594)	535,776,187
Net profit for the year	-	-	106,603,556	-	106,603,556	(357,996)	106,245,560
Other comprehensive income	-	-	(827,360)	16,199,312	15,371,952	-	15,371,952
Total comprehensive income for the year	-	-	105,776,196	16,199,312	121,975,508	(357,996)	121,617,512
Dividends distribution (note 30)	-	-	(25,000,000)	-	(25,000,000)	-	(25,000,000)
Transferred from statutory reserve to retained earnings (note 23)	-	(54,539,257)	54,539,257	-	-	-	-
Capital increase (note 22)	125,000,000	-	(125,000,000)	-	-	-	-
Balance as at 31 December 2024	500,000,000	-	136,550,438	(2,860,149)	633,690,289	(1,296,590)	632,393,699


Finance Manager


Chief Executive Officer


Chairman of the Board

The attached notes (1) to (35) form an integral part of these consolidated financial statements.

SUMOU REAL ESTATE COMPANY
(Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2024
(Saudi Riyals)

	<u>2024</u>	<u>2023</u>
OPERATING ACTIVITIES		
Net profit for the year before zakat	114,737,530	108,645,317
Adjustments:		
Depreciation	2,167,458	1,979,952
Amortization of intangible assets	246,694	246,690
Gain from sale of property and equipment	-	(40,000)
The Group's share of the results of Investments in Associates	(16,622,149)	(8,473,317)
Finance cost	1,249,271	1,245,461
Expected credit losses provision	3,037,596	-
(Reversal)/Provision for impairment of Inventory - lands	(2,035,606)	2,035,606
(Reversal) General provision	(3,864,447)	1,500,000
Employee's benefits obligations charged	976,740	756,135
	<u>99,893,087</u>	<u>107,895,844</u>
Operating assets and liabilities:		
Account receivables	(29,245,152)	(33,888,850)
Prepayments and other assets	(17,788,916)	(19,485,031)
Accrued expenses and other liabilities	19,740,181	11,078,326
Account payables	27,087,684	(82,128)
Contract assets	(1,628,357)	19,584,491
Contract liabilities	18,296,144	-
Due from related parties	(42,733,447)	(35,700,000)
Due to related parties	(1,922,135)	98,216,463
Advance payments from customers	4,875,410	18,174,944
Employee benefit obligations Paid	(316,318)	(62,800)
Zakat provision paid	(5,968,510)	(4,958,878)
Net cash flow generated from operating activities	<u>70,289,671</u>	<u>160,772,381</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(604,005)	(652,677)
Projects under development	2,967,358	4,841,170
Murabaha investment deposits	-	15,000,000
Additions on financial assets at fair value through OCI	-	(86,099,627)
Dividends received	50,200,000	13,200,000
Payment of land obligations against project under development	(25,000,000)	-
Proceeds from sale of property and equipment	-	40,000
Net cash flow generated from (used in) investing activities	<u>27,563,353</u>	<u>(53,671,134)</u>
FINANCING ACTIVITIES		
Lease liabilities paid	(1,819,302)	(1,858,390)
Dividends distribution	(25,000,000)	(75,000,000)
Finance cost paid	(500,613)	(511,108)
Net cash flow used in financing activities	<u>(27,319,915)</u>	<u>(77,369,498)</u>
Net change in cash and cash equivalents	70,533,109	29,731,749
Cash and cash equivalents at beginning of the year	113,529,012	83,797,263
Cash and cash equivalents at end of the year	<u>184,062,121</u>	<u>113,529,012</u>
Non-Cash Transactions		
Change of financial assets at fair value through OCI	16,199,312	25,280,577
Transferred from retained earnings to capital	125,000,000	-
Transferred from statutory reserve to retained earnings	54,539,257	-
Transferred from projects under development to property and equipment	1,201,836	-
Land obligations against project under development	234,191,965	-
Actuarial losses from re-measurement of Employee benefit obligations	827,360	199,566

Finance Manager

Chief Executive Officer

Chairman of the Board

The attached notes (1) to (35) form an integral part of these consolidated financial statements.

SUMOUL REAL ESTATE COMPANY

(Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Saudi Riyals)

1. ACTIVITIES

Sumou Real Estate Company (“The Company”) is a Saudi Joint Stock company operating under commercial registration number 2051034841 dated 3 Jumada Al Thani 1428H (corresponding to June 17, 2007) issued at Al-Khobar.

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 Company's activities include general construction of residential buildings and non-residential buildings (such as schools, hospitals, hotels, etc.), construction of airports and their facilities, on-site construction of prefabricated buildings, renovation of residential and non-residential buildings, purchase and sale of land and real estate, land subdivision, off-plan sales activities, management and leasing of owned or leased properties (both residential and non-residential), real estate brokerage activities, property management, and real estate auctions.

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

<u>Sub CR No.</u>	<u>Location/registration</u>
1010261561	Riyadh
4030189816	Jeddah
4031275053	Makkah Al Mukarama

The consolidated financial statements include the financial statements of the Company and its subsidiaries as follows (referred to as “The Group”):

<u>Company name</u>	<u>Legal entity</u>	<u>Country of Incorporation</u>	<u>Actual Ownership Percentage</u>	
			2024	2023
Al Mahafel Trading and Contracting Co. Ltd.	Limited Liability Co	Kingdom of Saudi Arabia	80%	80%
Anara Development Company	Limited Liability Co	Kingdom of Saudi Arabia	100%	100%

The assets, liabilities and results of operations of the above-mentioned subsidiaries are included in the accompanying consolidated financial statements.

- **Al Mahafel Trading and Contracting Co. Ltd.** is a Saudi limited liability company registered under Commercial Registration No. 4030127728 in Jeddah, dated 27-7-1999. The main activity of the company is the general construction of government buildings, construction of prefabricated buildings on sites, and general construction for residential & non-residential buildings.

- **Anara Development Company** is a Saudi limited liability company registered under Commercial Registration No. 4030534502 in Jeddah and dated 5-12-2023. Its activities include general construction of residential buildings, general construction of non-residential buildings such as schools, hospitals, hotels, etc., general construction of government buildings, and construction of prefabricated buildings on sites, restorations of residential and non-residential buildings, construction of roads, streets, sidewalks, and road supplies, general sports construction, including stadiums, building finishing, buying and selling land and real estate, dividing it, and off-plan sales activities, real estate development of residential buildings using modern construction methods.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2-1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

2-2 Preparation the consolidated financial statements

The consolidated financial statements have been prepared on the basis of historical cost and accrual basis except for investments in equity instruments, which were measured at fair value, and employee benefit obligations, which are recognized at the present value of future liabilities using the expected credit unit method.

Functional and presentation currency

The consolidated financial statements are presented in Saudi Riyals, which is the Group’s functional and presentation currency.

SUMOU REAL ESTATE COMPANY

(Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Saudi Riyals)

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2-3 Basis of consolidation of financial statements

The consolidated 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. The Company considers all relevant facts and circumstances in assessing whether or not the Group'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 a 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 year are included in the consolidated statement of profit or loss and OCI from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Consolidated and each component of OCI are attributed to the owners of the company. Total comprehensive income of subsidiaries is attributed to the shareholders of the company. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Company'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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies adopted by the Group:

3-1 Use of Judgments and estimates

The preparation of consolidated financial statements in accordance with IFRS requires the use of estimates and judgments that affect the value of restricted assets and liabilities, and disclosure of potential assets and liabilities in the date of the financial statements, and the value of revenue and expenses were disclosure to the period of the financial statement's preparation. Although these estimates and judgments are based on management's best knowledge and events available to the management in the date of the financial statements, it is possible that actual final results differ from these estimates.

These estimates and assumptions are reviewed on a continual basis and effects resulting from these accounting changes will be disclosed in the year and future period which are affected by it.

Below are the estimates and assumptions that are subject to a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within subsequent financial years.

A) Impairment of Non-financial assets

The Group assesses at each reporting date whether there is an indication that the asset has been impaired. If any indication exists, the Group estimates the recoverable amount of the asset. The recoverable amount of the asset is the higher of the fair value of the asset less costs to sell and its value in use. In assessing the value in use, the estimated future cash flows of the asset are discounted to their present value using a discount rate that reflects current market assessments of the time value of funds and the risks specific to the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-1 Use of Judgments and estimates (continued)

A) Impairment of Non-financial assets (continued)

When determining fair value less costs to sell, the latest market transactions are taken into consideration. If the recoverable amount of the asset is estimated at less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of profit or loss. If a subsequent impairment loss is reversed, the carrying amount of the asset is increased to the revised value of its recoverable amount, but only to the extent that the carrying amount does not exceed the carrying amount that would have been determined in the event that there is no impairment loss on the asset previous years. An impairment loss is recognized directly in the statement of profit or loss.

B) Provisions

Provisions are recognized when the Group has contingent liabilities (legal or constructive) arising from past events and the payment of the liability is probable and can be reliably measured. The amount recognized as an allowance is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. When an allowance is measured using estimated cash flows to settle the present liability, its carrying amount is the present value of those cash flows. If some or all of the economic benefits required to settle a provision from a third party are expected to be recovered, the amount due is recognized as an asset if the amount is certain to be recovered and the amount of the receivable can be reliably measured.

C) Useful lives for property and equipment

The Group's management determines the estimated useful lives of property and equipment for the purpose of calculating depreciation. This estimate is made after taking into account the expected use of the asset or the actual obsolescence. Management periodically reviews the estimated useful lives at least annually and the depreciation method to ensure that the method and periods of depreciation are consistent with the expected pattern of economic benefits of the assets.

D) Assumptions of liabilities of employee's benefits

After-service benefits represent liabilities that will be settled in the future and require the use of assumptions against expected liabilities. IAS 19 "Employee Benefits" requires management to use more assumptions regarding variables such as discount rates, rate of compensation increases, return on original, mortality rates, turnover, and future health care costs. The Group's management leads an actuarial valuation of the liability account. Changes in key assumptions can have a significant impact on expected benefit liabilities and / or periodic employee benefit costs incurred.

E) Zakat

The Group is subject to zakat according to the regulations of the Zakat, Tax and Customs Authority in the Kingdom of Saudi Arabia, and the accrued zakat is recorded and charged to the profit or loss statement. Additional zakat liabilities, if any, related to reassessments of previous years by the Zakat, Tax and Customs Authority are recognized in the year in which the final assessments are issued.

F) Provision for expected credit losses on trade receivables and contract assets

The Group uses a model to estimate lifetime expected credit losses for financial instruments whose credit value has not declined or has declined based on changes in credit risk.

To measure expected credit losses, trade receivables and contract assets are grouped based on shared credit risk characteristics and the days past due. Historical loss rates are adjusted to reflect current and future information according to macroeconomic activity indicators that impact customers' ability to settle trade receivables and contract assets.

G) Estimated costs to complete

As part of applying the percentage-of-completion method in contract accounting, project completion costs are estimated. These estimates include, among other items, project costs assessed by the Group's management according to project requirements. These estimates are reviewed periodically. Any subsequent changes in estimated completion costs may impact future financial periods.

H) Fulfillment of performance obligations

The group considers that using the input method, which requires recognizing revenue based on the Group's efforts to fulfill performance obligations, provides the best reference for revenue actually earned. When applying the input method, the Group estimates project completion costs to determine the amount of revenue to be recognized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-1 Use of Judgments and estimates (continued)

D) Net realizable value and inventory provision estimate

Net realizable value is the estimated selling price in the ordinary course of business, minus estimated costs of completion and selling expenses. Net realizable value is usually measured individually when writing down inventory, particularly when items from the same production line (serving the same purpose and end use) are marketed in the same geographic area.

Writing down inventory below cost to net realizable value aligns with International Financial Reporting Standards (IFRS), as assets should not be recorded at amounts higher than what is expected to be realized from their sale.

A provision is made for slow-moving, obsolete, and damaged inventory. Damaged inventory is identified and written off during inventory counts. The provision for slow-moving and obsolete inventory is evaluated for each inventory category as part of ongoing financial reporting. Obsolescence is assessed by comparing inventory levels with expected future sales.

3-2 Investment properties

A) Recognition

Land and buildings owned by the Group for purposes of generating rental income or for capital appreciation, or for both purposes, are classified as investment properties. Properties that are created or developed for future use as investment properties are also classified as investment properties.

B) Measurement

Investment properties are measured at cost, less accumulated depreciation, if any, and land is not subject for depreciation. Building consumption is calculated according to the straight-line method on the basis of its useful life.

Investment properties are stated at cost in accordance with IAS 40, the standard give choices for recording its investment properties are at cost or at fair value provided that there is no impediment to the ability to reliably determine the value of the investment. The management has chosen the cost model to record its investments.

3-3 Project Under development

Projects under development are properties that are being developed for sale. The development cost mainly includes the cost of land, infrastructure costs, construction cost and all other costs necessary to obtain the properties ready for sale. The cost of land and infrastructure is transferred when there is a change in the use of investment properties as evidenced by commencement of development with a view to sale, and accordingly, such investment properties are reclassified as property under development at their carrying value at the date of reclassification. They are subsequently stated at cost or net realizable value, whichever is lower. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completing development and resale expenses.

3-4 Impairment

A) Financial Assets

At the date of each statement of financial position, the values of the financial assets are reviewed, to determine whether there is any indication of impairment in their value. As for financial assets such as accounts receivable and assets assessed individually as not impaired, they are assessed for impairment on a collective basis. Objective evidence of a decline in the value of a portfolio of receivables may include the Group's past experience with collecting payments, an increase in the number of late payments that exceed the average credit period, and may include observable changes in local and global economic conditions that correlate with default on receivables. The carrying amount of the financial asset is reduced by the amount of the impairment loss directly, for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the formation of a provision account. When a receivable is considered uncollectible, the amount of the receivable and the corresponding amount in the allowance account are written off.

Changes in the carrying amount of the allowance account are recognized in the statement of profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-4 Impairment (continued)

B) Non-financial Assets

At the date of each statement of financial position, the Group reviews the carrying values of its assets to determine whether there is any indication that these assets have suffered impairment losses. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, collective assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the Statement of Profit or Loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

3-5 Intangible assets

Intangibles assets comprise software licenses for computers, which have finite lives and are amortised over the period of its useful life on a straight line basis and are tested for impairment whenever there is an indication that the intangible may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at the end of each reporting period. Any changes in the estimated useful life or the expected pattern of consumption of economic benefits are treated as change in accounting estimates. The useful life for an intangible asset is reviewed at least at the end of each reporting period. The amortisation expense on intangible assets is recognised in the consolidated statement of profit or loss and other comprehensive income. 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 profit or loss and OCI when the asset is derecognised. The estimated useful lives for the current and comparative periods are 5 years.

3-6 De-recognition

A financial asset is primarily derecognized when the contractual 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 the Group has transferred substantially all the risks and rewards of the asset. Or the Group has neither transferred nor retained substantially all the risks and rewards of the asset. But has transferred control of the asset.

3-7 Property and equipment

Property and equipment are stated at cost net of accumulated depreciation. The cost is including the expenses related to purchase the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components). Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Sold or disposed asset is deleted from the books at the date of sale or disposal along with its accumulated depreciation.

The percentage rates of depreciation are as follow:

<u>Description</u>	<u>Percentage</u>
Improvements on leaseholds	5%-10%
Furniture and fixtures	20%
Office equipment	20%
Motor vehicles	20%

The useful life and depreciation method are reviewed periodically to ensure that the depreciation method and period are commensurate with the expected economic benefits from property, plant and equipment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-8 Right of use assets and lease obligations

The Group has recognized new assets and liabilities for its leases of land. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis.

1- Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs, and
- Restoration costs.

2- Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that are based on an index or a rate
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in consolidated Statement of Profit or Loss. Short-term leases are leases with a lease term of 12 months or less.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. In determining the lease term, the management generally considers certain factors including historical lease durations and the costs and business disruption required to replace the leased asset.

3-9 Investments in associates using the equity method

Associated companies are those companies over which the Group exercises significant influence. The major effect is the ability of the Group to participate in the financial and operating decisions of the investee company but it is not a joint control or control of these policies.

The results, assets and liabilities of the associate are included in these consolidated financial statements using the equity method, whereby the investment in the associate is recorded at cost in the statement of financial position and the cost is adjusted thereafter so that the Group's share of the profit or loss and OCI of the associate is recorded. When the Group's share in the losses of the associate exceeds its ownership (which includes any long-term ownership that is part of the Group's net investment in the associate) the Group stops admitting its share of the additional losses and records the additional losses only to the extent that the Group incurs legal or contractual obligations or made payments on behalf of the associate. If the associate company subsequently records profits, the Group will resume recording its share of these profits only when its share of the profits equals with its share of unrecorded losses.

The Group's investment in the associate is accounted for using the equity method from the date the investee becomes an associate. Upon acquisition of the investment in the associate, any increase in the investment cost over the Group's share in the net fair value of the assets and liabilities identified for the investee company is recorded as goodwill and is included in the book value of the investment. Any increase in the Group's share of the net fair value of the identifiable assets and liabilities of the associate over the cost of the investment immediately after the revaluation is recorded in the statement of profit or loss in the year in which the investment is acquired.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-10 Financial instruments

Financial assets and financial liabilities are recognized when a Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

Financial assets are classified into the following categories according to the Group's business model: financial assets at fair value through profit or loss, and financial assets at fair value through comprehensive income, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

A) Financial assets at fair value through statement of profit & loss (FVTPL)

Financial assets designated at fair value through statement of profit or loss are designated when they are either held for trading or have been chosen to be classified as such in accordance with the Group's business model.

A financial asset is classified as held for trading if:

- It has been acquired principally for selling it in the near term.
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking.
- It is a derivative that is not designated and effective as a hedging instrument.

Financial asset other than a financial asset held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed, and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognized in the statement of profit or loss.

Dividends or interest earned on the financial asset are included in the in the statement of profit or loss.

B) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables including trade and other receivables, bank balances and cash are measured at amortized cost using the effective interest method, less any impairment loss which is recognized in profit or loss.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Classification of financial assets

IFRS 9 includes three main classification categories for financial assets: financial assets that are measured at amortized cost, assets that are measured at fair value through other comprehensive income, and assets that are measured at fair value through the statement of profit or loss. This standard excludes the current IAS 39 categories of investments held to maturity, loans and receivables and investments available for sale.

Under IFRS 9, financial derivatives that are embedded in contracts in which the primary instrument is financial assets within the scope of the standard are not divided, but rather the mixed financial instrument as a whole is evaluated for the purpose of classification.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-10 Financial instruments (continued)

Financial assets (continued)

B) Receivables (continued)

Impairment

IFRS 9 replaces the loss incurred model in IAS 39 with the expected future credit loss model. This requires a significant estimate of how economic factor changes affect the expected credit loss models that will be determined on the basis of the probability.

The new impairment model will be applied to financial assets measured at amortized cost or fair value through other comprehensive income, except for investments in equity instruments as well as on contract assets.

Under IFRS 9, provisions for loss will be measured according to one of the following bases:

1- The expected credit loss over 12 months. This expected credit loss is due to default and probable default events within 12 months after the reporting date.

2- The expected credit loss over the life of the financial instrument. The expected credit loss that results from all default events occurring over the expected life of the financial instrument.

With respect to the expected credit loss over the life span, the measurement is applied if the credit risk of the financial assets has increased significantly at the date of the report since its initial recognition, and the measurement of the expected credit loss over a 12-month period is applied. If these credit risks do not increase significantly, the enterprise may determine not to increase the risk Credit is significant if the instrument is exposed to low credit risk at the reporting date. However, the measurement of expected credit losses over the life course is always applied to trade receivables and contract assets without any significant financing components. The facility may also choose to apply this policy to trade receivables and contract assets with significant financing components.

Financial liabilities

Financial liabilities (including borrowings and trade and other payables) are initially and subsequently Measured at amortized cost using the effective interest method.

The Group derecognizes financial liabilities when, and only when, the obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

- Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Classification of financial liabilities

IFRS 9 closely preserves the current requirements in IAS 39 in order to classify financial liabilities. However, according to IAS 39, all changes in the fair value of liabilities classified at fair value through the statement of profit or loss are recognized in the statement of profit or loss, while according to the IFRS 9. The change in the fair value is presented. Related to changes in the credit risk of the liabilities in the statement of OCI while the remaining amount of the change in the fair value is shown in the statement of profit or loss.

3-11 Cash and cash equivalents

Cash and cash equivalents include bank balances, bank Murabaha and other highly liquid investments that are convertible into known amounts of cash and which mature within three months or less from the date of their purchase.

3-12 Contract Balances

Unlike the method used to recognize contract revenue from the sale of a completed property, amounts invoiced to customers for the sale of a property under development are based on achieving various contractually defined milestones. The revenue recognized for a given period does not necessarily match the amounts invoiced and approved by the customer. For contracts where the completed milestones transferred to the customer exceed the invoiced and approved amount, the difference is recognized as Contract Assets and presented in the statement of financial position under "Contract Assets." Conversely, for contracts where the completed milestones transferred to the customer are less than the invoiced and approved amount (e.g., when a payment is due or received before the Group completes the remaining milestones), the difference is recognized as Contract Liabilities and presented in the consolidated statement of financial position under "Contract Liabilities."

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-12 Contract Balances (continued)

Contract Assets

Contract assets are initially recognized from revenue generated through development contracts, as receiving payment is contingent on the successful completion of specified milestones. Upon completion and customer acceptance of these milestones, recognized contract asset amounts are reclassified as trade receivables. Contract assets are subject to impairment assessment following the same principles as financial assets under IFRS 9.

Contract Liabilities

Contract liabilities include long-term advances received for development contracts and short-term advances received for the delivery of specific milestones. Contract liabilities are recognized as revenue when the Group fulfills its performance obligation under the contract (i.e., when control is transferred to the customer).

3-13 Inventory

Inventory is recorded at the lower of cost or net realizable value. Cost is determined using the weighted average method. Inventory costs include all purchase costs and other costs incurred to bring inventory to its current location and condition. Any write-down to net realizable value is recognized as an expense or income in the consolidated statement of profit or loss in the period in which the write-down or reversal occurs.

3-14 Real Estate Transaction Tax

Real estate transaction tax is incurred on the purchase of real estate assets and is non-refundable from the Zakat, Tax, and Customs Authority. This tax is recognized as part of the acquisition cost of real estate assets.

3-15 Value-Added Tax (VAT)

Expenses and assets are recorded net of VAT, except in the following cases:

- When VAT paid on the purchase of assets or services is non-recoverable from the tax authority, it is recognized as part of the acquisition cost of the asset or as an expense, as applicable.
- When accounts receivable and accounts payable are recorded inclusive of VAT, the net recoverable or payable VAT amount is included as part of accounts receivable or accounts payable in the consolidated statement of financial position.

The net VAT amount recoverable from or payable to the relevant tax authority is included under other receivables or other payables in the consolidated statement of financial position.

3-16 Accounts Payables and accruals

Liabilities are recognized for amounts intended to be paid in the future in exchange for services received, whether or not they have been invoiced by the supplier. Trade payables are classified as current liabilities if the payment is due within one year or less; otherwise, they are presented as non-current liabilities. Trade payables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method.

3-17 Zakat provision

Zakat is a Group obligation and the estimated Zakat is provided within the accompanying financial statements and is charged to the statement of income, in accordance with Zakat standards issued by the Saudi Organization for Certified Public Accountants. As it is computed approximately in accordance with the accrual concept.

Zakat is calculated at the end of the year on the basis of the adjusted net profit or zakat base, whichever is greater, according to the regulations of the Zakat, Tax and Customs Authority in the Kingdom of Saudi Arabia. Any difference in the estimate is recorded when the final assessment is provided.

3-18 Related party transactions

Related party

The related party is the person or entity associated with the Group whose financial statements are prepared.

A) If the person or a member of his family is closely related to the Group whose financial statements are prepared:

- He has control or joint control of the Group whose financial statements are prepared;
- It has a material impact on the Group whose financial statements are prepared. or
- He is a member of the senior management of the Group that prepares its financial statements or the parent company of the company that prepares its financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-18 Related party transactions (continued)

Related party (continued)

B) If the entity is linked to the Group whose financial statements are prepared in the event that any of the following conditions is true:

- The entity and the Group whose financial statements are prepared are members of the same group (which means that both the parent company and its subsidiaries and associates are related to the other).
- One of the two entities is an associate or a joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both entities are joint ventures of the same third party.
- One of the two entities is a joint venture of a third entity and the other entity is an associate of the third entity.
- An entity is a post-employment benefit plan for employees of any of the Group whose financial reports are prepared or a entity related to the Group that prepares its financial statements. If the Group that prepares its financial statements is the same one that prepares these plans, then the sponsors of the sponsoring work are also related to the Group that prepares its financial statements.
- The entity is controlled or controlled jointly by a person specified in paragraph (a).
- The person specified in Paragraph (a) (i) has a material impact on the Group or is a member of the senior management of the Group (or parent company).
- The company or any member of a group of it provides part of the services of the employees of the higher management of the Group that prepares its financial statements or to the parent company of the Group that prepares its financial statements.

3-19 Employee benefits obligations

- End-of-service indemnities

The end of service benefits provision, which is a defined benefit plan, is determined using the projected unit credit method, with actuarial valuations being carried out at the end of annual reporting period.

Re-measurements, comprising actuarial gains and losses, are reflected immediately in the statement of financial position with a charge or credit recognized in OCI in the period in which they occur. Re-measurements recognized in OCI are reflected immediately in retained earnings and will not be reclassified to profit or loss.

- Retirement benefits

The Group pays retirement contributions for its Saudi Arabian employees to the General Organization for Social Insurance. This represents a defined contribution plan. The payments made are expensed as incurred.

- Short-term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

3-20 Revenue recognition

The Group recognizes revenue from contracts with customers based on a five step model as set out in IFRS 15:

Step 1. Identify the contract with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.

Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3. Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

SUMOU REAL ESTATE COMPANY

(Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Saudi Riyals)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-20 Revenue recognition (continued)

Step 5. Recognize revenue when (or as) the entity satisfies a performance obligation

The Group satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

1. The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
2. The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
3. The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

For performance obligations, where one of the above conditions are not met, revenue is recognized at the point in time at which the performance obligation is satisfied.

When the Group satisfies a performance obligation by delivering the promised goods or services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount billed to the customer exceeds the amount of revenue recognized, this gives rise to a contract liability.

Real estate development and contracting revenue

The Group evaluates the timing of revenue recognition from development and contracting based on analyzing the rights and obligations under the terms of each contract.

The Group concluded that the Group's performance does not create an asset with an alternative use because the Group is restricted contractually from redirecting the property under development to another use during its development based on the sale agreements entered into with customers, as the Group's contracts are entered into to provide specified residential units to the customer that accordingly does not create an asset with an alternative use for the Group.

Also, the Group concluded that it has an enforceable right to payment for performance completed to date, where it is entitled to an amount that at least compensates it for performance completed to date (usually costs incurred to date plus a reasonable profit margin) by having enforceable rights of being compensated for work completed to date in the event of any dispute or contract termination.

Based on this, the Group recognizes revenue from of real estate development and contracting over time.

When applying the input method, the Group estimates the cost to complete projects to determine the revenue amount to be recognized. The Group exercises judgment regarding revenue recognition from the sale of residential villas under contracts signed with customers, supported by enforceable rights and compensation for work completed to date.

Real-estate services revenue

Revenue from management fees

Management fees are recognized as they are realized based on the terms of contracts concluded which include providing supervision and management services for investors. The performance obligation is satisfied over time.

Commission and agency revenue

Represent revenues from commission and real-estate agency services and recognized in the period they are earned, at a point in time, when the performance obligation is fulfilled. Management considers that the Group acts as a principal in this regard.

Fulfillment of performance obligations

The Group must evaluate all its contracts with customers to determine whether the Group has fulfilled its performance obligations over time or at a point in time, in order to determine the appropriate method for recognizing revenue. According to the Group's evaluation, and based on the sales agreements signed with customers and the provisions of the relevant laws and regulations that apply to contracts signed for the purpose of providing real estate assets to customers, the Group has no asset to use as a substitute and usually has an enforceable right to pay for performance completed to date. Accordingly, the Group recognizes revenue over time. If this is not the case, the revenue is recognized at some point in the future.

Other income

Other income comprises revenue that does not relate to the Group's operation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-21 Expenses

Cost of revenue for residential villas project includes the cost of land, development and other service related costs. The cost of revenue is based on the proportion of the cost incurred to date related to sold units to the estimated total costs for each unit selling and marketing expenses are those arising from the Group's efforts underlying the marketing and selling functions. All other expenses, excluding direct costs of revenue and financial charges, are classified as general and administrative expenses. Allocations of common expenses between cost of revenue and selling, marketing, general and administrative expenses, when required, are made on a consistent basis.

3-22 Provisions

Provisions are made when the Group has any present obligation (legal or constructive) as a result of past events for which the cost payment is probable.

Provisions are measured to the best of the expected fair value of the liability as at the balance sheet date, taking into account risks and uncertainties surrounding the obligation. When an allowance is measured using estimated cash flows to settle the present obligation, the receivable is recognized as an asset if the receipt and replacement of the amount is confirmed and the amount can be measured reliably.

3-23 Segmental Reporting

An operating segment is a sum of assets and processes that jointly engage in the rendering of products or services subject to risks and rewards that are different from those of other operating segments and which are measured according to reports used by the chief executive officer and the chief decision maker.

The geographical segment is associated with the provision of products in a specific economic environment that are subject to risks and rewards that differ from those of business segments in economic environments.

3-24 Offsetting

Financial assets and liabilities are offset and the net amount is shown in the statement of financial position only when there are legally binding rights, as well as when they are settled on the basis of set-off or the realization of assets and settlement of liabilities is at the same time.

3-25 Earnings per share

Basic and diluted earnings per share was calculated based on the weighted average number of normal shares as at the end of the year.

3-26 Foreign currency transactions

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the statement of profit or loss.

3-27 Changes in significant accounting policies and new standards

The following standards and amendments became effective on January 1, 2024, or after, unless stated otherwise, and have no material impact on the Group's financial statements. The Group has not adopted any early application of a standard, interpretation, or amendment that has been issued but is not yet effective.

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

In January 2020 and October 2022, the Board issued amendments to IAS 1 to clarify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- The meaning of the right to defer settlement.
- The right to defer settlement must exist at the end of the reporting period.
- This classification is not affected by the likelihood of the entity exercising its deferral right.
- Only if the implicit derivative in a liability is itself an equity instrument will the terms of the liability not affect its classification.
- Disclosures.

The new standard had no impact on the Group's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Amendments to IFRS 16: Lease Liability in Sale and Leaseback**

The amendment to IFRS 16 defines the requirements the seller-lessee uses to measure the lease liability arising in a sale and leaseback transaction, ensuring that the seller-lessee does not recognize any amount of profit or loss related to the right of use retained.

The new standard had no impact on the Group's consolidated financial statements.

Disclosure about Supplier Financing Arrangements - Amendments to IAS 7 and IFRS 7

The amendments specify disclosure requirements to enhance current requirements, aiming to assist financial statement users in understanding the effects of supplier financing arrangements on the Group's liabilities, cash flows, and liquidity risk exposure.

The new standard had no impact on the Group's consolidated financial statements.

New and Amended Standards and Interpretations not yet effective

The new and amended standards and interpretations that have been issued but are not yet effective, and which have not been early adopted by the Group, will be applied when they become effective, if applicable. It is not expected that the adoption of these standards and interpretations will have any material impact on the Group when they come into effect.

Standard, Amendment, or Interpretation	Effective Date
Amendments to IAS 21 - "The Effects of Changes in Foreign Exchange Rates" (Non-substitution of currency and foreign currency)	January 1, 2025
Amendments to IFRS 9 and IFRS 7 - "Classification and Measurement of Financial Instruments"	January 1, 2026
IFRS 11 - "Annual Improvements to IFRS Standards"	January 1, 2026
Amendments to IFRS 9 and IFRS 7 - "Energy Purchase Agreements"	January 1, 2026
IFRS 18 - "Presentation and Disclosure in Financial Statements" (Replacing IAS 1)	January 1, 2026
IFRS 19 - "Subsidiaries Not Subject to Public Accountability"	January 1, 2027
Amendments to IFRS 10 and IAS 28 - "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	Effective date deferred indefinitely

4. CASH AND CASH EQUIVALENTS

This item consists of the following:

	<u>31 December</u>	<u>31 December</u>
	2024	2023
Cash at banks – non restricted	3,282,421	2,654,693
Restricted cash at banks *	180,779,700	110,874,319
Cash and Cash Equivalents	<u>184,062,121</u>	<u>113,529,012</u>

* These balances are held in bank accounts designated for off-plan sales projects (Wafi). The use of these funds is restricted to disbursement and cash collections related to these projects. As a result, they are classified as cash and cash equivalents.

SUMOU REAL ESTATE COMPANY
(Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2024
(Saudi Riyals)

5. ACCOUNTS RECEIVABLES, NET

	<u>31 December</u> <u>2024</u>	<u>31 December</u> <u>2023</u>
Trade receivables	63,134,002	33,888,850
Expected credit loss provision	(2,627,744)	-
	<u>60,506,258</u>	<u>33,888,850</u>

The movement on Expected credit loss provision is as follows:

	<u>31 December</u> <u>2024</u>	<u>31 December</u> <u>2023</u>
Balance on January 1	-	-
Charged during the year	2,627,744	-
Balance on December 31	<u>2,627,744</u>	<u>-</u>

Below is the analysis of the ages of trade receivables:

	<u>31 December 2024</u>			<u>31 December 2023</u>		
	Total Amount	Allowance for Impairment	Expected Credit Loss Percentage	Total Amount	Allowance for Impairment	Expected Credit Loss Percentage
0-90 Days	19,457,327	270,003	1.39%	-	-	-
90-180 Days	11,545,219	211,269	1.83%	-	-	-
180-270 Days	5,609,993	190,588	3.40%	-	-	-
270-360 Days	13,906,741	830,641	5.97%	-	-	-
360-450 Days	12,614,722	1,125,243	8.92%	-	-	-
	<u>63,134,002</u>	<u>2,627,744</u>		<u>-</u>	<u>-</u>	<u>-</u>

6. PREPAYMENTS AND OTHER ASSETS

	<u>31 December</u> <u>2024</u>	<u>31 December</u> <u>2023</u>
Advance payment to suppliers	28,636,344	30,302,960
Advance payment on projects account	25,595,389	8,222,665
VAT (debit)	20,239,660	14,867,074
Margin held against bank guarantees	7,030,000	6,730,000
Staff advances	2,594,079	2,349,480
Advance payments to ZATCA	-	2,112,267
Other receivables	2,831,802	4,553,912
	<u>86,927,274</u>	<u>69,138,358</u>

7. INVENTORY - LANDS

A. This item represents land held for sale, as per the Board of Directors' decision on December 31, 2019. The land is recorded at cost and is not subject to depreciation. The Group obtains an evaluation from an independent and certified appraiser for its land inventory. The Group's land was valued as of December 31, 2024, at SAR 16,815,874 using the fair value measurement by Meayar Al-Qima Real Estate Appraisal Company, under Commercial Registration No. 1010719737 and appraiser license No. 1060029509 (appraiser: Ghaleb Hamoud Al-Subaei). The Group also obtained a fair value assessment from Tameed Real Estate Appraisal Company, under Commercial Registration No. 2252067740 and appraiser license No. 1210000395 (appraiser: Hassan Habib Al-Suliman), which valued the land at SAR 15,045,782 as of December 31, 2024.

B. The movement is summarized as follows:

	<u>31 December</u> <u>2024</u>	<u>31 December</u> <u>2023</u>
Balance at the beginning of the year	10,355,038	12,390,644
Reversal of provision for impairment losses*	2,035,606	-
Provision for impairment losses	-	(2,035,606)
Balance at the ending of the year	<u>12,390,644</u>	<u>10,355,038</u>

*During the year, the allowance for impairment of land, which was recorded in the previous period, was reversed after obtaining a fair value measurement of the land from certified appraisers as of December 31, 2024, with a value higher than the cost. As a result, only the allowance was reversed, and the fair value of the land was disclosed.

SUMOU REAL ESTATE COMPANY
(Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2024
(Saudi Riyals)

8. CONTRACT ASSETS & CONTRACT LIABILITIES

The movement of this item during the year is summarized as follows:

	<u>31 December</u> <u>2024</u>	<u>31 December</u> <u>2023</u>
Cost incurred to date	561,311,883	294,967,013
Add:		
Realized profits	66,977,635	40,353,822
Total revenue to date	<u>628,289,518</u>	<u>335,320,835</u>
Less: Progress billings	(598,139,788)	(288,503,318)
Less: Expected credit losses provision	(409,852)	-
Balance at the ending of the year	<u>29,739,878</u>	<u>46,817,517</u>

Presented in the consolidated statement of financial position as follows:

	<u>31 December</u> <u>2024</u>	<u>31 December</u> <u>2023</u>
Contract Assets (Note 8-1)	48,036,022	46,817,517
Contract Liabilities (Note 8-2)	<u>(18,296,144)</u>	-
	<u>29,739,878</u>	<u>46,817,517</u>

(8-1) Below is the analysis of contract assets balance

	<u>31 December</u> <u>2024</u>	<u>31 December</u> <u>2023</u>
Balance at the beginning of the year	46,817,517	66,402,008
Revenue for the year	260,045,026	131,316,095
Progress billings	(258,416,669)	(150,900,586)
Expected credit losses provision (Note 8-3)	(409,852)	-
	<u>48,036,022</u>	<u>46,817,517</u>

(8-2) Below is the analysis of contract liabilities balance

	<u>31 December</u> <u>2024</u>	<u>31 December</u> <u>2023</u>
Balance at the beginning of the year	-	-
Revenue for the year	32,923,656	-
Progress billings	(51,219,800)	-
	<u>(18,296,144)</u>	-

(8-3) The movement of expected credit losses provision is as follows:

	<u>31 December</u> <u>2024</u>	<u>31 December</u> <u>2023</u>
Balance on January 1	-	-
Charged during the year	409,852	-
Balance on December 31	<u>409,852</u>	-

SUMOU REAL ESTATE COMPANY
(Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2024
(Saudi Riyals)

9. PROPERTY, AND EQUIPMENT - NET

	Improvement on leaseholds	Furniture and fixtures	Office equipment	Motor Vehicles	Total
Cost					
The balance on 1 January 2024	4,702,587	4,260,103	1,851,888	1,941,325	12,755,903
Additions during the year	354,461	-	249,544	-	604,005
Disposal during the year	-	-	(3,239)	-	(3,239)
Transferred from projects under development	1,201,836	-	-	-	1,201,836
The balance on 31 December 2024	6,258,884	4,260,103	2,098,193	1,941,325	14,558,505
Accumulated depreciation					
The balance on 1 January 2024	4,168,745	4,107,416	1,537,201	1,097,518	10,910,880
Charge for the year	236,807	40,393	116,424	243,344	636,968
Disposal during the year	-	-	(3,239)	-	(3,239)
The balance on 31 December 2024	4,405,552	4,147,809	1,650,386	1,340,862	11,544,609
Net book value					
December 31, 2024	1,853,332	112,294	447,807	600,463	3,013,896
Cost					
The balance on 1 January 2023	4,493,958	4,146,338	1,778,909	1,842,960	12,262,165
Additions during the year	208,629	113,765	78,918	251,365	652,677
Disposal during the year	-	-	(5,939)	(153,000)	(158,939)
The balance on 31 December 2023	4,702,587	4,260,103	1,851,888	1,941,325	12,755,903
Accumulated depreciation					
The balance on 1 January 2023	3,940,102	4,069,649	1,445,207	1,023,931	10,478,889
Charge for the year	228,643	37,767	97,933	226,587	590,930
Disposal during the year	-	-	(5,939)	(153,000)	(158,939)
The balance on 31 December 2023	4,168,745	4,107,416	1,537,201	1,097,518	10,910,880
Net book value					
December 31, 2023	533,842	152,687	314,687	843,807	1,845,023

SUMOU REAL ESTATE COMPANY
(Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2024
(Saudi Riyals)

10. INVESTMENT PROPERTIES

	<u>31 December</u> <u>2024</u>	<u>31 December</u> <u>2023</u>
Lands	<u>60,220,776</u>	<u>60,220,776</u>
	<u>60,220,776</u>	<u>60,220,776</u>

The Group obtained an evaluation from an independent, certified appraiser for its Investment Properties. The Group's land was valued as of December 31, 2024, at SAR 73,436,814 using the fair value measurement by Meayar Al-Qima Real Estate Appraisal Company, under Commercial Registration No. 1010719737 and appraiser license No. 1060029509 (appraiser: Ghaleb Hamoud Al-Subaei). The Group also obtained another fair value assessment from Tameed Real Estate Appraisal Company, under Commercial Registration No. 2252067740 and appraiser license No. 1210000395 (appraiser: Hassan Habib Al-Suliman), which valued the land at SAR 76,000,099 as of December 31, 2024.

11. PROJECTS UNDER DEVELOPMENT

	<u>31 December</u> <u>2024</u>	<u>31 December</u> <u>2023</u>
Dar Sumo Project (Note 11 A)	425,260	12,960,306
Al-Aseela Project (Note 11 B)	65,603,120	-
Al-Samia Project (Note 11 C)	167,431,755	-
Public Benefit Market Project (Note 11 D)	37,096,528	27,573,586
Total	<u>270,556,663</u>	<u>40,533,892</u>

A) Project under development item 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:

	<u>31 December</u> <u>2024</u>	<u>31 December</u> <u>2023</u>
Balance at the beginning of the year	12,960,306	36,579,119
Development, implementation and construction costs incurred	49,402,659	91,929,101
Total	<u>62,362,965</u>	<u>128,508,220</u>

Work performed during the year (61,937,705) (115,547,914)
Balance at the ending of the year 425,260 12,960,306

B) Project under development item represents the costs incurred in the Al-Aseela Project to build and sell 326 villas in the city of Riyadh on the lands of the Ministry of Housing allocated to Sumou Real Estate Company.
Below are the project details:

	<u>31 December</u> <u>2024</u>	<u>31 December</u> <u>2023</u>
Balance at the beginning of the year	-	-
Development, implementation and construction costs incurred	239,945,806	-
Total	<u>239,945,806</u>	<u>-</u>

Work performed during the year (174,342,686) -
Balance at the ending of the year 65,603,120 -

C) Project under development item represents the costs incurred in the Al-Samia Project to build and sell 451 villas in the city of Madina on the lands of the Ministry of Housing allocated to the Group.
Below are the project details:

	<u>31 December</u> <u>2024</u>	<u>31 December</u> <u>2023</u>
Balance at the beginning of the year	-	-
Development, implementation and construction costs incurred	197,496,233	-
Total	<u>197,496,233</u>	<u>-</u>
Work performed during the year	(30,064,478)	-
Balance at the ending of the year	<u>167,431,755</u>	<u>-</u>

SUMOU REAL ESTATE COMPANY
(Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2024
(Saudi Riyals)

11. PROJECTS UNDER DEVELOPMENT (CONTINUED)

D) 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:

	<u>31 December</u> <u>2024</u>	31 December <u>2023</u>
Balance at the beginning of the year	27,573,586	8,795,943
Transferred to property & equipment	(1,201,836)	-
Development, implementation and construction costs incurred	10,724,778	18,777,643
Balance at the end of the year	37,096,528	27,573,586

12. RIGHT OF USE ASSETS AND LEASE LIABILITIES - NET

The Group leased a land from the Ministry of Municipal and Rural Affairs (the Holy Capital Municipality - Asfan Municipality) at an annual rent of SR 1,321,750 and for a period of 25 years, with a total value of SR 33,043,750. The current value of the rental payments was recorded on 3.5% interest rate basis and no other contractual terms.

a) The following table shows the right-of-use balance of assets in addition to the depreciation charged as follows:

	<u>Land</u>	<u>Building</u>	<u>Total</u>
Cost			
The balance as at January 01, 2024	21,784,442	1,408,825	23,193,267
Additions	-	1,736,382	1,736,382
The balance as at December 31, 2024	21,784,442	3,145,207	24,929,649
Accumulated depreciation			
The balance as at January 01, 2024	(2,614,134)	(1,237,423)	(3,851,557)
Charge for the year	(871,378)	(659,112)	(1,530,490)
The balance as at December 31, 2024	(3,485,512)	(1,896,535)	(5,382,047)
Net book value as at December 31, 2024	18,298,930	1,248,672	19,547,602
Cost			
The balance as at January 01, 2023	21,784,442	1,408,825	23,193,267
The balance as at December 31, 2023	21,784,442	1,408,825	23,193,267
Accumulated depreciation			
The balance as at January 01, 2023	(1,742,756)	(719,779)	(2,462,535)
Charge for the year	(871,378)	(517,644)	(1,389,022)
The balance as at December 31, 2023	(2,614,134)	(1,237,423)	(3,851,557)
Net book value as at December 31, 2023	19,170,308	171,402	19,341,710

b) The lease liabilities as at the end of the year are as follows:

	<u>31 December</u> <u>2024</u>	31 December <u>2023</u>
Non-current lease liabilities	18,585,583	18,725,397
Current lease liabilities	2,239,302	1,433,750
Total lease liabilities	20,824,885	20,159,147

The movement for the lease liabilities as follows

	<u>31 December</u> <u>2024</u>	31 December <u>2023</u>
Balance at the beginning of the year	20,159,147	21,283,184
Finance cost charged	748,658	734,353
Addition of lease liabilities during the year	1,736,382	-
Lease liabilities paid during the year	(1,819,302)	(1,858,390)
Total lease liabilities at end of the year	20,824,885	20,159,147

c) The finance cost recognized from lease liabilities during the year ended 31 December 2024 amounted to SR 748,658 (2023 amounted to SR 734,353).

d) The depreciation of the right to use assets has been charged as follows:

	<u>2024</u>	<u>2023</u>
General and administrative expenses	659,112	517,644
Cost of revenue	871,378	871,378
	1,530,490	1,389,022

SUMOU REAL ESTATE COMPANY
(Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2024
(Saudi Riyals)

13. 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:

	<u>Software</u>	<u>Total</u>
<u>Cost</u>		
The balance as at January 01, 2024	1,233,454	1,233,454
The balance as at December 31, 2024	1,233,454	1,233,454
<u>Accumulated amortization</u>		
The balance as at January 01, 2024	(693,456)	(693,456)
Charge for the year	(246,694)	(246,694)
The balance as at December 31, 2024	(940,150)	(940,150)
<u>Net book value as at 31 December 2024</u>	293,304	293,304
	<u>Software</u>	<u>Total</u>
<u>Cost</u>		
The balance as at January 01, 2023	1,233,454	1,233,454
The balance as at December 31, 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 year	(246,690)	(246,690)
The balance as at December 31, 2023	(693,456)	(693,456)
<u>Net book value as at 31 December 2023</u>	539,998	539,998

14. INVESTMENTS IN ASSOCIATES USING THE EQUITY METHOD

The Investments in Associates using the equity method are as follows:

	<u>Actual Ownership</u>		<u>31 December</u>	<u>31 December</u>
	<u>Percentage</u>		<u>2024</u>	<u>2023</u>
	<u>2024</u>	<u>2023</u>		
Investments in Western Dhahiat Company (14-a)	25%	25%	265,612,350	272,734,858
Investments in Tanal Real Estate Development and Investment Company (14-b)	10%	10%	1,878,271	34,197,880
			267,490,621	306,932,738

A) Investments in Western Dhahiat Company:

- The Group 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 audited financial statement for the year ending on December 31, 2024.

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

	<u>31 December</u>	<u>31 December</u>
	<u>2024</u>	<u>2023</u>
Total Assets	1,274,463,410	1,307,900,753
Total Liabilities	36,045,746	35,404,328
Equity – Shareholders Equity	1,062,449,402	1,090,939,435
Equity - Non-controlling Interests	175,968,262	181,556,990
Total Equity	1,238,417,664	1,272,496,425
Net Loss for the Year – Shareholders Equity	(5,032,967)	(22,318,029)
Net Loss for the Year – Non-controlling Interests	(1,009,721)	(2,011,094)
Net Loss for the Year	(6,042,688)	(24,329,123)
Other Comprehensive Loss – Partners' Equity	(23,457,066)	(72,816,662)
Other Comprehensive Loss – Non-controlling Interests	(3,927,129)	(12,268,774)
Total Other Comprehensive Loss	(27,384,195)	(85,085,436)

SUMOUM REAL ESTATE COMPANY

(Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2024**

(Saudi Riyals)

14. INVESTMENTS IN ASSOCIATES USING THE EQUITY METHOD (CONTINUED)**A) Investments in Western Dhahiat Company: (continued)****The investment movement**

	<u>31 December</u> <u>2024</u>	31 December <u>2023</u>
Beginning balance for the year	272,734,858	296,518,530
Group's share of net loss for the year	(1,258,242)	(5,579,506)
Group's share of other comprehensive loss for the year	(5,864,266)	(18,204,166)
Balance at the end of the year	265,612,350	272,734,858

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 Sumou Holding Company 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 IFRS. 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:

	<u>31 December</u> <u>2024</u>	31 December <u>2023</u>
Total Assets	20,868,597	352,294,129
Total liability	2,085,883	10,315,327
Equity	18,782,714	341,978,802
Revenues	414,580,280	269,468,246
Net profit for the year	178,803,912	140,528,234
Total comprehensive income for the year	178,803,912	140,528,234
Group's share of profit for the year	17,880,391	14,052,823

The share in net profit and share in OCI has been calculated based on the audited consolidated financial statements for the year ended December 31, 2024 of Tanal Investment and Real Estate Development Company.

The investment movement

	<u>31 December</u> <u>2024</u>	31 December <u>2023</u>
Beginning balance for the year	34,197,880	33,345,057
Dividends Received	(50,200,000)	(13,200,000)
Share of profit for the year	17,880,391	14,052,823
Balance at the end of the year	1,878,271	34,197,880

C) The Group's share of the results of the Investments in Associates using the equity method:

	<u>2024</u>	<u>2023</u>
Western Dhahiat Company note 14-A	(1,258,242)	(5,579,506)
Tanal Real Estate Development and Investment Company note 14-B	17,880,391	14,052,823
	16,622,149	8,473,317

SUMOU REAL ESTATE COMPANY
(Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2024
(Saudi Riyals)

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>2024</u>	<u>2023</u>
Investment Cost in Sumou Dhahiat Real Estate Fund (A)	15,201,967	15,201,967
Investment Cost in Alinma Al-Madina Real Estate Fund (B)	19,427,660	19,427,660
Investment Cost in Alinma Ajyad Real Estate Fund (C)	30,000,000	30,000,000
Investment Cost in Alinma Taif Real Estate Fund (D)	21,470,000	21,470,000
Change in Fair Value – Alinma Ajyad Real Estate Fund (C)	2,010,000	-
Change in Fair Value – Sumou Dhahiat Real Estate Fund (A)	(990,843)	(681,224)
Change in Fair Value – Alinma Al-Madina Real Estate Fund (B)	-	(3,439,381)
Balance as at the end of the year	87,118,784	81,979,022

The details of the movement in the fair value of financial assets through OCI are as follows:

	<u>2024</u>	<u>2023</u>
Balance at the Beginning of the Year	(4,120,605)	-
Change in the Fair Value of Financial Assets through OCI during the year	5,139,762	(4,120,605)
Balance as at the end of the year	1,019,157	(4,120,605)

Financial assets at fair value through OCI as of December 31, 2024 are represented as follows:

A) Investments in kind in the form of units in the Sumou Dhahiat Real Estate Fund project (closed private real estate fund) which were acquired at the end of the third quarter of 2023 with a value of 15,201,967 Saudi riyals. The fair value of the investment in financial assets through OCI as of December 31, 2024, amounted to SAR 14,211,124 (December 31, 2023: SAR 14,520,743).

B) Investments in kind in the form of units in the Alinma Al-Madina Real Estate Fund Project (closed private real estate fund), which were acquired at the end of Q3 2023 with a value of SAR 19,427,660. The fair value of the investment in financial assets through OCI as of December 31, 2024, amounted to SAR 19,427,660 (December 31, 2023: SAR 15,988,279).

C) Investments in kind in the form of units in the Alinma Ajyad Real Estate Fund Project (closed private real estate fund), with an amount of SAR 30,000,000. These investments were acquired at the end of Q3 2023, and the fair value of the investment in financial assets through OCI as of December 31, 2024, amounted to SAR 32,010,000 (December 31, 2023: SAR 30,000,000).

D) Investments in kind in the form of units in the Alinma Taif Real Estate Fund Project (closed private real estate fund), with an amount of SAR 21,470,000 (December 31, 2023: SAR 21,470,000). There was no change in the fair value of the financial assets through other comprehensive income, and the value of the investment in financial assets through OCI as of December 31, 2024, amounted to SAR 21,470,000 (December 31, 2023: SAR 21,470,000).

16. ACCRUED EXPENSES AND OTHER LIABILITIES

	<u>31 December 2024</u>	<u>31 December 2023</u>
Retention	34,591,200	16,967,707
Advance payments from customers	4,800,000	4,800,000
Accrued bonus	1,797,206	1,865,934
Allowances for board members	1,458,000	879,033
Accrued vacations and tickets	417,075	459,612
General provision	-	3,864,447
Other payables	2,285,246	636,260
	45,348,727	29,472,993

SUMOUM REAL ESTATE COMPANY
(Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2024
(Saudi Riyals)

17. ZAKAT PROVISION

A) Zakat assessment status:

-The Group received zakat assessments for the years 2019 and 2020 on October 12, 2021, amounting to 12,119,787 Saudi riyals. The Group paid an amount of 3,670,719 Saudi riyals and objected to the Zakat, Tax and Customs Authority on December 9, 2021 for an amount of 8,449,068 Saudi riyals, According to the Zakat advisor, a ruling was made in favor of the Group in the preliminary committee, and the Zakat, Tax, and Customs Authority appealed the decision. The appellate decision was issued on May 21, 2024, in favor of the company, stating that there were no outstanding obligations for the years 2019 and 2020. The zakat assessments for the years 2021 to 2022 have not been received yet.

-During the subsequent period, the group received the assessments for the year 2023, and no additional obligations were recorded.

B) The movement of the zakat provision:

	<u>31 December</u> <u>2024</u>	<u>31 December</u> <u>2023</u>
Balance at the beginning of the year	5,968,510	4,958,878
Charge during the year	8,491,970	5,968,510
Paid during the year	(5,968,510)	(4,958,878)
Provision balance at the end of the year	<u>8,491,970</u>	<u>5,968,510</u>

C) Zakat base:

	<u>31 December</u> <u>2024</u>	<u>31 December</u> <u>2023</u>
Shareholders equity	624,259,960	478,757,393
Accruals and Provisions	344,001,249	185,600,717
Non-current assets	(754,456,946)	(542,667,137)
Adjusted net profit for the year note 17-D	<u>114,737,530</u>	<u>113,268,098</u>
Zakat base	<u>328,541,793</u>	<u>234,959,071</u>
Calculated zakat	<u>8,491,970</u>	<u>5,968,510</u>

- For 2024 Zakat is calculated on the net zakat base at a rate of (2.5% / 354 * 366),
- For 2023 Zakat is calculated from the zakat base minus adjusted net profit at a rate of 2.577683%, and adjusted net profit at a rate of 2.5%.

D) Adjusted net income for the year:

The adjustment to the adjusted net profit for the year is as follows:

	<u>31 December</u> <u>2024</u>	<u>31 December</u> <u>2023</u>
Net profit for the year	114,737,530	108,645,317
Provisions made during the year	-	4,291,741
Other adjustments	-	331,040
Adjusted net profit for the year	<u>114,737,530</u>	<u>113,268,098</u>

E) Zakat status:

Sumoum Real-estate Company submitted the zakat declaration for the year 2023 and obtained zakat certificate valid up to 30/04/2025.

Mahafel Company for trading and contracting submitted the zakat declaration for the year 2023 and obtained zakat certificate valid up to 30/04/2025.

SUMOU REAL ESTATE COMPANY

(Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2024**

(Saudi Riyals)

18. RELATED PARTY TRANSACTIONS

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

During the normal course of its business, the Group had the following important transactions with major related parties during the years ended 31 December 2023 and 2024. As follows:

Name	Relationship
Sumou Holding company	Main Shareholder
Sumou Global Investment Company	Affiliate company
Adeer Asar Real Estate Company	Affiliate company
Adeer Real Estate Company	Affiliate company
Asmou Real Estate Development Company	Affiliate company
Riyadah Gulf Management Company	Affiliate company
Buna Al Jazira for contracting Co.	Affiliate company
Western Dahiet Company	Associate company
Sumou Dahiet Real Estate Fund	Party associated with board of directors
Alinma Al Madinah Real Estate Fund	Party associated with board of directors
Alinma Ajjad Real Estate Fund	Party associated with board of directors
Alinma Al Taif Real Estate Fund	Party associated with board of directors

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

Description	Nature of the transaction	31 December 2024	31 December 2023
Sumou Holding Company	Revenues	21,721,584	18,961,409
Sumou Holding Company	Expenses on behalf	220,322	1,358,542
Asmou Real Estate Development Company	Revenues	60,000,000	15,000,000
Buna Al Jazira For Contracting Co.	Contracting works cost	32,921,776	21,230,693
Sumou Global Investment Company	Revenues	5,108,475	41,000,000
Adeer Asar Real Estate Company	Revenues	5,777,709	4,870,433
Adeer Asar Real Estate Company	Advance payments	10,369,351	6,547,060
Riyadah Gulf Management Company	Administrative services	1,200,000	1,200,000
Sumou Global Investment Company	Rent	609,552	509,565
Adeer Real Estate Company	Sales commission - Asela Project	4,362,143	-
Adeer Real Estate Company	Sales commission- Al Samia Project	2,710,032	-
Western Dahiet Company	Revenues – in kind (15-a)	-	15,201,967
Sumou Dahiet Real Estate Fund	Revenues – in cash	-	18,000,000
Alinma Al Madinah Real Estate Fund	Advance revenue**	-	19,427,660
Alinma Ajjad Real Estate Fund	Advance revenue***	-	30,000,000
Alinma Al Taif Real Estate Fund	Advance revenue****	-	21,470,000

- **Remunerations of Managers and Senior Management Staff:**

Senior management is represented by senior members of the Board of Directors and senior executives who have the powers and responsibilities of planning, directing and controlling the Group's activities. The following are the benefits and rewards of senior management employees.

Description	Nature of the transaction	31 December 2024	31 December 2023
Members of the Board of Directors and other committees	Allowances for attending meetings and bonuses	1,632,000	977,504
Senior management staff	Salaries, allowances and incentives	5,274,111	5,164,113
	End of services benefits	2,982,584	1,997,430

SUMO REAL ESTATE COMPANY
(Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2024
(Saudi Riyals)

18. RELATED PARTY TRANSACTIONS (CONTINUED)

A- Due from related parties as of December 31, represented by the following:

	<u>31 December</u> <u>2024</u>	<u>31 December</u> <u>2023</u>
Sumou Global Investment Company (Previously Adeer Holding Co)*	46,215,300	29,291,484
Sumou Dahiet Real Estate Fund	20,700,000	20,700,000
Sumou Holding company	12,733,447	-
Asmou Real Estate Development Company	45,000,000	15,000,000
	<u>124,648,747</u>	<u>64,991,484</u>

*The amount due from a related party consists of in-kind investments in the form of shares in the Akhyal Project in the Eastern Region, amounting to SAR 46,215,300 as of December 31, 2024. The movement in the investment is as follows:

	<u>31 December</u> <u>2024</u>	<u>31 December</u> <u>2023</u>
Balance at the Beginning of the Year	29,291,484	32,247,290
Change in the Fair Value of Financial Assets through OCI during the year	16,923,816	(2,955,806)
Balance as at the end of the year	<u>46,215,300</u>	<u>29,291,484</u>

The Group determined the fair value of its share as of December 31, 2024, at SAR 46,215,300 by establishing the price per square meter of the share. This was done by calculating the average actual selling price executed in the Akhyal Project in the Eastern Region. The Group has the right to use its shares.

B- Due to related parties as of December 31, represented by the following:

	<u>31 December</u> <u>2024</u>	<u>31 December</u> <u>2023</u>
Alinma Ajyad Real Estate Fund (note 15-C)	30,000,000	30,000,000
Alinma Al Taif Real Estate Fund (note 15- D)	21,470,000	21,470,000
Buna Al Jazira for contracting Co.	16,844,809	21,230,693
Alinma Al Madinah Real Estate Fund (note 15- B)	19,427,660	19,427,660
Adeer Asar Real Estate Co	10,369,351	6,547,060
Sumou Holding Company	-	1,358,542
	<u>98,111,820</u>	<u>100,033,955</u>

** The revenues received in advance from the Alinma Al Madinah Real Estate Fund represent fees for managing and developing the project land in the form of in-kind units in the fund for the development manager with a nominal value of Saudi riyals 19,427,660 during the entire development period and are due in stages according to the completion criteria specified in the development agreement.

*** The revenues received in advance from the Alinma Ajyad Real Estate Fund represent fees for managing and developing the project land in the form of in-kind units in the fund for the development manager with a nominal value of Saudi riyals 30,000,000 during the entire development period and are due in stages according to the completion criteria specified in the development agreement.

**** The revenues received in advance from the Alinma Al Taif Real Estate Fund represent fees for managing and developing the project land in the form of in-kind units in the fund for the development manager with a nominal value of Saudi riyals 21,470,000 during the entire development period and are due in stages according to the completion criteria specified in the development agreement.

19. LAND OBLIGATIONS AGAINST PROJECTS UNDER DEVELOPMENT

- A) This item represents the liabilities for land allocated by the National Housing Company for the Group's projects, including Dar Sumo, Al-Aseela, and Al Samia projects, amounting to a total of SAR 282,463,737, which is due for payment over the projects period.
- B) When development is carried out on land owned by others, the Group's revenue includes a portion of the contract price that is attributable to the landowner. This portion represents the amounts received and due from customers, which are recorded as a liability, and pertains to land owned by the National Housing Company related to projects developed on government-owned land.

SUMOU REAL ESTATE COMPANY

(Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Saudi Riyals)

19. LAND OBLIGATIONS AGAINST PROJECTS UNDER DEVELOPMENT (CONTINUED)

C) Lands obligations against projects under development:

	<u>31 December</u> <u>2024</u>	<u>31 December</u> <u>2023</u>
Lands obligations against projects under development – Noncurrent portion	146,426,070	-
Lands obligations against projects under development – Current portion	136,037,667	73,271,772
Total lands obligations against projects under development	<u>282,463,737</u>	<u>73,271,772</u>

The current portion of lands liabilities for projects under development has been classified based on management estimates and the percentage of project completion.

D) The movement on lands obligations against projects under development is as follows:

	<u>31 December</u> <u>2024</u>	<u>31 December</u> <u>2023</u>
The balance at the beginning of the year	73,271,772	73,271,772
Additions during the year	234,191,965	-
Payments made during the year	<u>(25,000,000)</u>	-
	<u>282,463,737</u>	<u>73,271,772</u>

20. ADVANCE PAYMENTS FROM CUSTOMERS

This item represents the amounts received from buyers and financing agencies in the project escrow account for the purchase of housing units under the off-plan sale (Wafi) system, in addition to the amounts received from lessees of the Public Benefit Market Project.

	<u>31 December</u> <u>2024</u>	<u>31 December</u> <u>2023</u>
Advance payment from customers – Areem Project	19,985,969	-
Advance payment from customers – Public Benefit Market Project	1,825,581	1,825,581
Advance payment from customers – Al Aaly Project	1,238,804	212,963
Advance payment from customers – Al Aseila Project	-	16,136,400
	<u>23,050,354</u>	<u>18,174,944</u>

Presented in the consolidated statement of financial position as follows:

	<u>31 December</u> <u>2024</u>	<u>31 December</u> <u>2023</u>
Current portion	23,050,354	-
Non-current portion	-	18,174,944

21. EMPLOYEES BENEFITS OBLIGATIONS

The actuarial valuation was performed by Opal Actuarial Services and was conducted using the projected credit unit.

The main assumptions used for the purposes of the actuarial valuation were as follows:

	<u>31 December</u> <u>2024</u>	<u>31 December</u> <u>2023</u>
Discount rate	5.25%	4.75%
Salary increase rate	3.0%	3.0%

The movement on employee benefit obligations is as follows:

	<u>31 December</u> <u>2024</u>	<u>31 December</u> <u>2023</u>
Beginning balance	4,443,568	3,550,667
Interest Cost	203,557	149,569
The current service cost	773,183	606,566
Actuarial losses for employee benefits obligations	827,360	199,566
Paid during the year	<u>(316,318)</u>	<u>(62,800)</u>
Ending balance	<u>5,931,350</u>	<u>4,443,568</u>

Sensitivity analysis of defined employee benefit obligations

Assumptions	Salary increase rate		Discount rate	
	0.1% Increase	0.1% Decrease	0.1% Increase	0.1% Decrease
31 December 2024	6,261,789	5,629,862	5,638,685	6,257,643
31 December 2023	4,703,444	4,207,644	4,213,498	4,701,472

SUMOUM REAL ESTATE COMPANY
(Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2024
(Saudi Riyals)

22. SHARE CAPITAL

The Company's Share capital amounts to 500 million Saudi riyals as of December 31, 2024 (December 31, 2023: 375 million Saudi riyals) and consists of 50 million shares as of December 31, 2024 (December 31, 2023: 37.5 million shares), fully issued and paid, with a nominal value of 10 Saudi riyals per share.

On June 6, 2024, the Company's General Assembly approved an increase in the Company's share capital from 375 million Saudi riyals to 500 million Saudi riyals by issuing one free share for every three shares through the capitalization of 125 million Saudi riyals from the retained earnings balance.

23. STATUTORY RESERVE

During 2024, the Company updated its By-laws in line with the new regulations for companies which do not require statutory reserve to be maintained. Consequently, during the Company's General Assembly meeting held on June 6, 2024 the shareholders voted to transfer the statutory reserve to the retained earnings. The transfer was completed during the year.

24. REVALUATION RESERVE FOR INVESTMENTS THROUGH OCI

The movement of this item is as follows:

	<u>31 December</u> <u>2024</u>	31 December <u>2023</u>
Beginning balance	(19,059,461)	6,221,116
The Group's share of the OCI of the investee company (Al-Dhahia Al-Gharbia) – Note (14-A).	(5,864,266)	(18,204,166)
Change in the fair value of financial assets through OCI - Sumou Dhahiat Real Estate Fund (note 15-A)	(309,619)	(681,224)
Change in the fair value of financial assets through OCI – Al Inma Madina Real Estate Fund (note 15-B)	3,439,381	(3,439,381)
Change in the fair value of financial assets through OCI – Alinma Ajyad Real Estate Fund (note 15-C)	2,010,000	-
Change in the fair value of financial assets through OCI - Company share of Akhayal project (note 18-A)	16,923,816	(2,955,806)
Ending balance	<u>(2,860,149)</u>	<u>(19,059,461)</u>

25. REVENUE

	<u>2024</u>	<u>2023</u>
Real-estate development revenue	292,968,683	131,316,095
Real-estate services revenue	92,607,768	113,033,809
Contracting revenue	43,929,809	29,468,566
	<u>429,506,260</u>	<u>273,818,470</u>

Total revenue from related party amounted to Saudi riyals 92,607,768 for the year ended December 31, 2024 which represents 22% from the total revenue (2023: 113,033,809 Saudi riyals which represents 41% from the total revenue) (Note 18).

	<u>2024</u>	<u>2023</u>
Revenue recognized at a point in time	19,109,696	74,201,967
Revenue recognized over time	410,396,564	199,616,503
	<u>429,506,260</u>	<u>273,818,470</u>

26. COST OF REVENUE

	<u>2024</u>	<u>2023</u>
Real estate development cost	266,344,869	115,547,914
Contracting cost	33,094,078	22,101,424
Salaries, wages and related benefits	20,168,116	17,554,195
Depreciation of right of use assets (Note 12-C)	871,378	871,378
Other	202,126	1,691,343
	<u>320,680,567</u>	<u>157,766,254</u>

SUMO REAL ESTATE COMPANY
(Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2024
(Saudi Riyals)

27. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>2024</u>	<u>2023</u>
Legal and professional fees	2,131,642	3,455,487
Salaries, wages, and related benefits	1,847,003	3,247,639
Board of directors' remuneration	1,632,000	977,504
Subscription fees	951,801	622,612
Depreciation of right-of-use assets (note 12-c)	659,112	517,644
Depreciation of property and equipment (note 9)	636,968	590,930
Amortization of intangible assets (note 13)	246,694	246,690
General provision	-	1,500,000
Other	2,487,964	2,032,659
	<u>10,593,184</u>	<u>13,191,165</u>

28. EARNINGS PER SHARE

Earnings per share related to net profit have been calculated by dividing the net profit for the year by the weighted average number of outstanding shares during the year, which amounted to 50 million shares as of December 31, 2024 (December 31, 2023: 50 million shares).

The number of shares has been retrospectively adjusted for the comparative period to reflect the impact of the issued bonus shares.

	<u>2024</u>	<u>2023</u>
Net profit for the year attributable to the Group's shareholders	106,603,556	103,007,847
Weighted average number of shares	50,000,000	50,000,000
Basic earnings per share for the net profit for the year	<u>2.132</u>	<u>2.060</u>

	<u>2024</u>	<u>2023</u>
Total comprehensive income attributable to the Group's shareholders	121,975,508	77,527,704
Weighted average number of shares	50,000,000	50,000,000
Basic earnings per share from total comprehensive income	<u>2.439</u>	<u>1.550</u>

29. CONTINGENT LIABILITIES

As of December 31, 2024, the Group has contingent liabilities in the form of letters of guarantee amounting to SR 47,139,737 (December 31, 2023: SR 127,995,555).

30. DIVIDENDS DISTRIBUTION

The Board of Directors, in their meeting held on August 1, 2024, approved interim cash dividend distributions to shareholders amounting to SAR 25 million, which were paid during 2024. This decision was made under the authorization granted to the Board by the Extraordinary General Assembly held on June 6, 2024, to approve interim dividend distributions for the year 2024.

The Board of Directors also approved interim cash dividend distributions of SAR 37.5 million in the meeting held on August 23, 2023, which were paid during the year. Additionally, the Board approved cash dividend distributions of SAR 37.5 million in the meeting held on March 22, 2023, which were also paid during the year. These distributions were made under the authorization granted to the Board by the Extraordinary General Assembly held on May 2, 2023, to approve dividend distributions for the year 2023.

31. SEGMENT INFORMATION

The segment information is attributable to the Group's activities and business as approved by Group'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 Group has developed the following reports and sectors which all operate in the Kingdom of Saudi Arabia

Real estate projects Development: This section of business deals with real estate projects mostly accomplished by the Group with the help of subcontractors.

SUMOU REAL ESTATE COMPANY

(Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Saudi Riyals)

31. SEGMENT INFORMATION (CONTINUED)

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

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

The results of all segments are reviewed regularly by the Group's management to take decisions on the allotted resources to segments, evaluate its performance, and ensure availability of specific financial information about each segment.

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

	Real estate projects development	Real estate project management	Investments in equity instruments and properties	Others	Total
As of 31 December 2024:					
Total assets	653,382,009	85,763,446	473,436,125	12,231,132	1,224,812,712
Total liabilities	485,894,540	15,169,351	70,897,660	20,457,462	592,419,013
Revenue	336,898,492	92,607,768	-	-	429,506,260
Gross profit	36,760,469	72,065,224	-	-	108,825,693
As of 31 December 2023:					
Total assets	287,762,614	42,601,402	488,779,058	30,970,344	850,113,418
Total liabilities	212,504,605	11,347,060	70,897,660	19,587,906	314,337,231
Revenue	160,784,661	113,033,809	-	-	273,818,470
Gross profit	22,263,945	93,788,271	-	-	116,052,216

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group'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 Group 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 (e.g. prices) or indirectly derived from prices.

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

	31 December 2024			
	Level 1	Level 2	Level 3	Total
	SR			
Financial Assets at Fair Value Through OCI	-	-	87,118,784	87,118,784
	-	-	87,118,784	87,118,784
	31 December 2023			
	Level 1	Level 2	Level 3	Total
	SR			
Financial Assets at Fair Value Through OCI	-	-	81,979,022	81,979,022
	-	-	81,979,022	81,979,022

SUMOUM REAL ESTATE COMPANY

(Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2024**

(Saudi Riyals)

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**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 Group 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

	<u>31 December</u> <u>2024</u>	<u>31 December</u> <u>2023</u>
Lease liabilities	20,824,885	20,159,147
Less: cash and cash equivalents	(184,062,121)	(113,529,012)
Net debt	<u>(163,237,236)</u>	<u>(93,369,865)</u>
Total shareholders' equity	<u>632,393,699</u>	<u>535,776,187</u>
Net debt to shareholders' equity ratio	<u>(26%)</u>	<u>(17%)</u>

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.

Currency risk

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 Group's currency. Most of the Group's transactions are made in Saudi Riyals. The Group's management believes that its exposure to foreign currency risk is not significant.

Other Prices risk

The Group is exposed to price risk from its investments in the equity of other companies. The Group retains these investments for strategic purposes and not for trading purposes and the Group 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 Group is exposed to credit risk on its bank balances, accounts receivable, Due from related parties, and contract assets as follows:

Financial assets at amortized cost

	<u>31 December</u> <u>2024</u>	<u>31 December</u> <u>2023</u>
Cash at banks	184,062,121	113,529,012
Due from related parties	78,433,447	35,700,000
Contract assets	48,036,022	46,817,517
Accounts receivable	60,506,258	33,888,850
	<u>371,037,848</u>	<u>229,935,379</u>

Financial assets at Fair value

	<u>31 December</u> <u>2024</u>	<u>31 December</u> <u>2023</u>
Due from related parties	46,215,300	29,291,484
	<u>46,215,300</u>	<u>29,291,484</u>
Total financial assets	<u>417,253,148</u>	<u>259,226,863</u>

SUMOUM REAL ESTATE COMPANY

(Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2024**

(Saudi Riyals)

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**Liquidity risk**

Liquidity risk is the difficulty that an entity encounters in raising funds to meet commitments related to financial instruments. Liquidity risk can result from the inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring it on a regular basis to ensure that funds are available to meet the Group's future commitment.

As of 31 December 2024:	Book value	Contractual cash Less than one			More than 5
		payments	year	1 to 5 years	
Accounts payable	89,900,026	89,900,026	89,900,026	-	-
Lands obligations against projects under development	282,463,737	282,463,737	136,037,667	146,426,070	-
Accrued expenses and other liabilities	45,348,727	45,348,727	45,348,727	-	-
Lease liabilities	20,824,885	29,179,745	2,239,302	7,114,193	19,826,250
	438,537,375	446,892,235	273,525,722	153,540,263	19,826,250

As of 31 December 2023:	Book value	Contractual cash Less than one			More than 5
		payments	year	1 to 5 years	
Accounts payable	62,812,342	62,812,342	62,812,342	-	-
Lands obligations against projects under development	73,271,772	73,271,772	25,000,000	48,271,772	-
Accrued expenses and other liabilities	29,472,993	29,472,993	29,472,993	-	-
Lease liabilities	20,159,147	29,190,500	1,433,750	6,608,750	21,148,000
	185,716,254	194,747,607	118,719,085	54,880,522	21,148,000

33. SUBSEQUENT EVENTS

Sumou Real Estate Company signed an agreement to establish a real estate investment fund to develop a unique real estate project on developed land, which the fund will acquire in Riyadh. The project spans an area of 414,324 square meters, and over 800 residential units will be built. Additionally, the fund will acquire land owned by Sumou Real Estate Company in the cities of Dammam and Khobar. The total project value exceeds 2 billion Saudi Riyals. Sumou Real Estate Company has been appointed as the project developer in exchange for a development management fee of 10% of the development costs.

In the management's opinion, there have been no significant subsequent events after December 31, 2024, until the approval of the consolidated financial statements by the Board of Directors, except for the aforementioned, which may have a material impact on the consolidated financial statements as of December 31, 2024.

34. COMPARATIVE FIGURES

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

35. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on Ramadan 7,1446H (March 7, 2025).