

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

**CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT
AUDITORS REPORT
FOR THE YEAR ENDED DECEMBER 31, 2021**



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

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

**CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS REPORT
FOR THE YEAR ENDED DECEMBER 31, 2021**

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INDEPENDENT AUDITORS' REPORT

**TO: THE SHAREHOLDERS OF
Sumou Real Estate Company
(A Saudi Joint Stock Company)**

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Sumou Real Estate Company, A Saudi Joint Stock Company (the "Company"), and its subsidiary (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at December 31, 2021, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory 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, 2021, 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 Certified Public Accountants (SOCPA).

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as 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 professional code of conduct and ethics as endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated financial statements for the year ended 31 December 2020 have been audited by another auditor who expressed an unmodified opinion on the financial statements on February 28, 2021.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report:

Audit, Tax & consultants

Saimen B. AlSudairy
License No. 283

Musab AlShalkh
License No. 658

Abdullah M. AlAzem
License No. 335

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Sumou Real Estate Company
(A Saudi Joint Stock Company)

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the key audit matter
<p>1- Revenue Recognition</p> <p>The Company 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. The company 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 – 17 and 22 for details about the judgments applied and estimates made in revenue recognition and the detail about relevant disclosures.</p>	<p>We performed the following audit procedures, among others:</p> <ul style="list-style-type: none"> - Obtained an understanding of the terms and conditions of contracts with customer and identified performance obligations on a sample basis. - Reviewed on sample basis, development costs to be incurred on the lands and the relevant contracts with the suppliers on infrastructure costs. - Tested accuracy and completeness of the revenue and related cost. - Reviewed, on a sample basis, contracts with customers for residential units and ensured that there is a signed contract between the company and customers in addition signed contract between the company and banks they finance the customers. - Assessed the appropriateness of disclosures in the consolidated financial statements.
<p>2- Investments in companies designated by equity method</p> <p>As of December 31, 2021, the Company has investments in associate company by SR 341,327,173 (2020: SR 286,137,718).</p> <p>The results of the associate are included in the financial statements using the equity method as significant influence is evident from the company's ability to make 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 13 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 an associate company:</p> <ul style="list-style-type: none"> - Evaluating the appropriateness of the company's accounting policies to measure investments using the equity method to be in the line with the requirements of international Financial Reporting Standards. - We have obtained financial statements of the associate for the period ending 31 December 2021 and reviewed the significant items of those financial statements and obtained sufficient evidence to validate the numbers of the financial statements. - Assessment of significant influence impact on associated company. - Review and verify the adjustments made during the year on the investment in an associate company. We also reviewed the adequacy Company's disclosures included accompanying financial statements.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

**Sumou Real Estate Company
(A Saudi Joint Stock Company)**

Other Information included in the group's 2021 annual report

Management are responsible for the other information. The other information comprises the information included in the Company's annual report, 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 or conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above 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, Company's By-laws and the applicable requirements of Companies' regulations, 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 (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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Sumou Real Estate Company
(A Saudi Joint Stock Company)

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

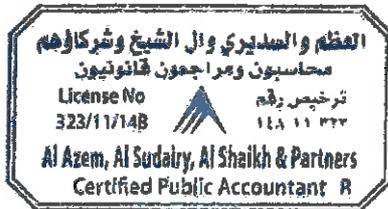
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exist related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance 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.

Report on Other Legal and Regulatory Requirements:

Based on the information that has been made available to us while performing our audit procedures, nothing has come to our attention that causes us to believe that the Company is not in compliance, in all material respects, with the applicable requirements of the Companies' Regulations in the Kingdom of Saudi Arabia and the Company's By-laws in so far as they affect the preparation and presentation of the consolidated financial statements.



Al Azem, Al Sudairy, Al Shaikh & Partners
Certified Public Accountants

Salman B, AlSudairy
License No. 283

09 Shaban, 1443 (12 March, 2022)
Khobar, Kingdom of Saudi Arabia

SUMOU REAL ESTATE COMPANY
(Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2021
(Saudi Riyals)

	Note	31 December 2021	31 December 2020
Assets			
Non-current assets			
Investment in real estate project under development	7	-	174,139,747
Property, and equipment - net	8	946,940	808,686
Investment properties	9	60,220,776	60,220,776
Project under development	10-25	67,297,279	-
Right of use Assets, net	11	21,443,629	-
Intangible assets, net	12	1,033,379	-
Investments in companies designated by equity method	13	341,327,173	286,137,718
Total non-current assets		492,269,176	521,306,927
Current assets			
Real estate held for sale	6	12,390,644	12,390,644
Prepayments and other assets	5	42,355,057	5,795,991
Accounts receivables		1,150,000	11,308,855
Cash and cash equivalents	4	71,854,674	7,635,012
Total current assets		127,750,375	37,130,502
Total assets		620,019,551	558,437,429
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	21	375,000,000	250,000,000
Statutory reserve		35,474,924	27,353,971
Retained earnings		67,226,608	138,023,531
Revaluation reserve for investments through OCI		(23,130,863)	(14,261,087)
Total shareholders' equity		454,570,669	401,116,415
Non-controlling interest		(334,698)	-
Net shareholders' equity		454,235,971	401,116,415
Non-current liabilities			
Lease obligations - non-current portion	11	20,177,856	-
land obligations against project under development - non-current portion	17	43,693,645	-
Advance payments from customers	18	43,626,072	-
Employee benefit obligations	20	3,500,903	2,895,180
Total non-current liabilities		110,998,476	2,895,180
Current liabilities			
Zakat provision	15	2,445,894	1,853,524
Lease obligations - current portion	11	1,586,928	-
Accrued expenses and other liabilities	14	10,134,285	8,453,644
Due to related parties	16	2,268,171	14,579,205
land obligations against project under development - current portion	17	29,578,127	-
Account payables		8,771,699	19,539,461
Long term loans - current portion	19	-	110,000,000
Total current liabilities		54,785,104	154,425,834
Total liabilities		165,783,580	157,321,014
Total shareholders' equity and liabilities		620,019,551	558,437,429


Finance Manager

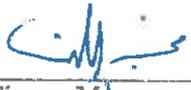

Chief Executive Officer

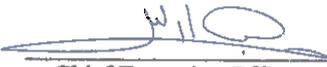

Chairman of the Board

The attached notes (1) to (34) 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 2021
(Saudi Riyals)

	<u>Note</u>	<u>2021</u>	<u>2020</u>
Revenue	22	103,128,366	97,158,599
Cost of revenue	23	<u>(38,329,104)</u>	<u>(9,883,438)</u>
Gross operating profit		64,799,262	87,275,161
General and administrative expenses	24	<u>(11,524,120)</u>	<u>(7,253,043)</u>
Net profit from main operations		53,275,142	80,022,118
Finance cost		<u>(1,561,427)</u>	<u>(7,406,596)</u>
The company's share of the results of the business of the associates	13-c	31,700,693	(345,449)
Other (expenses) income		<u>(98,821)</u>	<u>964,677</u>
Net profit before zakat		83,315,587	73,234,750
Zakat	15-c	<u>(2,445,894)</u>	<u>(1,853,524)</u>
Net profit for the year		80,869,693	71,381,226
Net profit attributed to:			
Shareholders		81,209,527	71,381,226
Non-controlling interest		<u>(339,834)</u>	<u>-</u>
		80,869,693	71,381,226
Earnings per share:			
Basic and diluted earnings per share from net profit for the year	26	<u>2.16</u>	<u>1.90</u>


Finance Manager


Chief Executive Officer


Chairman of the Board

The attached notes (1) to (34) form an integral part of these consolidated financial statements.

SUMOU REAL ESTATE COMPANY
(Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2021
(Saudi Riyals)

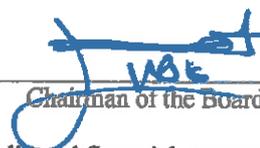
	<u>Note</u>	<u>2021</u>	<u>2020</u>
Net profit for the year		80,869,693	71,381,226
Items that will not be subsequently reclassified into profit or loss:			
Net change of fair value for investments through OCI	13/a	(8,869,776)	(10,326,860)
Actuarial losses from re-measurement of Employee benefit obligations		(135,497)	(372,922)
Other Comprehensive income for the year		(9,005,273)	(10,699,782)
Total comprehensive income for the year		71,864,420	60,681,444
Total comprehensive income for the year attributed to:			
Shareholders		72,204,254	60,681,444
		(339,834)	-
Non-controlling interest		71,864,420	60,681,444



Finance Manager



Chief Executive Officer



Chairman of the Board

The attached notes (1) to (34) 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 2021
(Saudi Riyals)

	Share capital	Statutory reserve	Retained earnings	Revaluation reserve for investments through OCI	Total shareholders' equity	Non-controlling interest	Total shareholders' equity
Balance as at 1 January 2020	250,000,000	20,215,848	111,653,350	(3,934,227)	377,934,971	-	377,934,971
Net profit for the year	-	-	71,381,226	-	71,381,226	-	71,381,226
Other comprehensive income	-	-	(372,922)	(10,326,860)	(10,699,782)	-	(10,699,782)
Dividends distribution	-	-	(37,500,000)	-	(37,500,000)	-	(37,500,000)
Transferred to statutory reserve	-	7,138,123	(7,138,123)	-	-	-	-
Balance as at 31 December 2020	250,000,000	27,353,971	138,023,531	(14,261,087)	401,116,415	-	401,116,415
Balance as at 1 January 2021	250,000,000	27,353,971	138,023,531	(14,261,087)	401,116,415	-	401,116,415
Net profit for the year	-	-	81,209,527	-	81,209,527	(339,834)	80,869,693
Other comprehensive loss	-	-	(135,497)	(8,869,776)	(9,005,273)	-	(9,005,273)
Dividends distribution	-	-	(18,750,000)	-	(18,750,000)	-	(18,750,000)
Transferred to statutory reserve	-	8,120,953	(8,120,953)	-	-	-	-
Transactions with Non-controlling interest	-	-	-	-	-	5,136	5,136
Increase in Capital (Note 21)	125,000,000	-	(125,000,000)	-	-	-	-
Balance as at 31 December 2021	375,000,000	35,474,924	67,226,608	(23,130,863)	454,570,669	(334,698)	454,235,971

 Finance Manager
 Chief Executive Officer
 Chairman of the Board

The attached notes (1) to (34) 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 2021
(Saudi Riyals)

	<u>2021</u>	<u>2020</u>
OPERATING ACTIVITIES		
Net profit for the year before zakat	83,315,587	73,234,750
Adjustments to reconcile net profit with net cash provided by operating activities:		
Depreciation and amortization	1,650,413	314,489
The company's share of the results of the business of the associates	(31,700,693)	345,449
Finance cost	783,045	-
Non-controlling interest	5,136	-
Employee benefit obligations	<u>501,209</u>	<u>560,770</u>
	54,554,697	74,455,458
Operating assets and liabilities:		
Account receivables	10,158,855	(2,544,301)
Prepayments and other assets	(36,559,066)	(576,599)
Accrued expenses and other liabilities	358,891	(28,290,564)
Account payables	(10,767,762)	9,020,711
Payable to related parties	(12,311,034)	14,579,205
Advance payments from customers	43,626,072	-
Employee benefit obligations Paid	(30,983)	(116,145)
Zakat paid	(1,853,524)	(1,806,645)
Net cash provided by operating activities	<u>47,176,146</u>	<u>64,721,120</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(451,932)	-
Projects under development	(67,297,279)	-
Land obligations against project under development	73,271,772	-
Purchase of Intangible assets,	(1,233,454)	-
Net change in projects under development	141,781,209	-
Proceeds from properties held for sale	-	3,640,072
Net cash provided by investing activities	<u>146,070,316</u>	<u>3,640,072</u>
FINANCING ACTIVITIES		
Lease obligations paid	(276,800)	-
Dividends distribution	(18,750,000)	(37,500,000)
Payment of loans	(110,000,000)	(30,000,000)
Net cash used in financing activities	<u>(129,026,800)</u>	<u>(67,500,000)</u>
Net change in cash and cash equivalents	64,219,662	861,192
Cash and cash equivalents at beginning of the year	7,635,012	6,773,820
Cash and cash equivalents at end of the year	<u>71,854,674</u>	<u>7,635,012</u>
Non-cash transactions		
Unrealized loss from reevaluation of fair value for investments through OCI	(8,869,776)	-
Increase in capital	125,000,000	-
Shares transferred from investments in real estate projects to investments in an associate company	68,055,778	78,695,589
Recovery of permanent financing against investment in associate company	35,697,240	-
Accrued dividends distribution	-	25,000,000


Finance Manager


Chief Executive Officer


Chairman of the Board

The attached notes (1) to (34) form an integral part of these consolidated financial statements.

1. ACTIVITIES

Sumou Real Estate Company is a Saudi Joint Stock company operating under commercial registration number 2051034841 dated 3 Jumada Al Thani 1428H (corresponding to June 18, 2007) issued at 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 main activity of the company is represented in general construction of residential buildings, general construction of non-residential buildings, including (schools, hospitals, hotels, etc.) construction of airports and their facilities, construction of prefabricated buildings on sites, renovations of residential and non-residential buildings, purchase and sale of land and real estate and its division, and off plan sale activities.

These 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

The consolidated financial statements include the financial statements of the company and its subsidiaries as follows:

<u>Company name</u>	<u>Legal entity</u>	<u>Country of Incorporation</u>	<u>Actual Ownership Percentage</u>	
			2021	2020
Al Mahafel Trading and Contracting Co. Ltd.	Limited Liability Co	Kingdom of Saudi Arabia	80%	-

The assets, liabilities and results of operations of the above-mentioned subsidiary 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 4/15/1420H. The main activity of the company is represented in the general construction of government buildings, sales agents in food and beverages, construction of prefabricated buildings on sites, and general construction for residential & non-residential buildings.

2. BASIS OF PREPARATION 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 accompanying consolidated financial statements have been prepared on the basis of historical cost and accrual basis except investments in equity instruments by fair value and recognition of employee benefit obligations that are recognized at the present value of future liabilities using the expected credit unit method. The consolidated financial statements are presented in Saudi Riyals, which is the Company's functional and presentation currency.

2. BASIS OF PREPARATION CONDENSED 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 Group considers all relevant facts and circumstances in assessing whether or not the company's voting rights in an investee are sufficient to give it power, including:

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

Consolidation of 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 other comprehensive income from the date the company gains control until the date when the company ceases to control the subsidiary.

Consolidated and each component of other comprehensive income 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 company 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 company

3-1 Use of estimates

The preparation of consolidated financial statements in accordance with International Financial Reporting Standards requires the use of estimates and assumptions that may 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.

A) Impairment of Non-financial assets

The Company assesses at each reporting date whether there is an indication that the asset has been impaired. If any indication exists, the Company 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 estimates

A) Impairment of Non-financial assets

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 Company 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 real estate investments & property, plant and equipment

The Company's management determines the estimated useful lives of property, property, plant 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. The 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 Company'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 company 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.

3-2 Investment properties

A) Recognition

Land and buildings owned by the company 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. As no land is accounted 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 company'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.

B) Non-financial Assets

At the date of each statement of financial position, the company 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 company 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 other comprehensive income 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 Company 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 Company has transferred substantially all the risks and rewards of the asset. Or the Company has neither transferred nor retained substantially all the risks and rewards of the asset. But has transferred control of the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3-7 Property, plant and equipment

Property, plant 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 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's	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.

3-8 Right of use assets and lease obligations

The Company has recognized new assets and liabilities for its operating leases of operating 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.

i. 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.

ii. 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 Condensed 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3-9 Investments in companies designated by equity method

Associated companies are those companies over which the company exercises significant influence. The major effect is the ability of the company 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 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 company's share of the profit or loss and other comprehensive income of the associate is recorded. When the company's share in the losses of the associate exceeds its ownership (which includes any long-term ownership that is part of the company's net investment in the associate) the company stops admitting its share of the additional losses and records the additional losses only to the extent that the company incurs legal or contractual obligations or made payments on behalf of the associate. If the associate company subsequently records profits, the company will resume recording its share of these profits only when its share of the profits equals with its share of unrecorded losses.

The company'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 company'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 company'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.

3-10 Financial instruments

Financial assets and financial liabilities are recognized when a Company 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.

First: Financial assets

Financial assets are classified into the following categories according to the company'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.

1. Financial assets at fair value through statement of profit & loss

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 company'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 Company 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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3-10 Financial instruments (continued)

- 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 Company'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.

2. Financial assets at fair value through other comprehensive income

The Listed shares which owned by the company and traded in an active market are classified as available-for-sale financial assets and are stated at fair value. The Company also has investments in unlisted shares that are not traded in active markets but are also classified as available-for-sale financial assets and are carried at fair value, in the belief that the fair value can be reliably measured. Gains and losses arising from changes in fair value are included in other comprehensive income and are added to the revaluation reserve under equity except for impairment losses that are recognized in profit or loss. If the investment is disposed of or is impaired, the cumulative gain or loss previously recognized in the revaluation reserve is included in other comprehensive income.

Any income from dividends related to the investments available of sale are recorded when the company have the rights to receive those dividends.

3. 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3-10 Financial instruments (continued)

Impairment

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.

Second: 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 Company derecognizes financial liabilities when, and only when, the Company's 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 International Accounting Standard No. (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 International Financial Reporting Standard No. (9) The change in the fair value is presented. Related to changes in the credit risk of the liabilities in the statement of other comprehensive income while the remaining amount of the change in the fair value is shown in the statement of profit or loss.

3-11 Cash at banks balances

Cash at banks balances 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 Accounts Receivable

Accounts receivable balance appear in the original invoices amount after deduction of doubtful provision against any amount inapplicable to being collected. An estimate for the doubtful receivable is made when the company cannot collect the balances and doubtful receivables are written-off when incurred. The provisions appear in the statement of income. Any subsequent recovery in the accounts receivable previously written-off is added to the revenue.

3-13 Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for services received, whether billed by the supplier or not. Trade payables are classified as current liabilities if the payment is due within one year or less, and if they are not, 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.

3-14 Zakat provision

Zakat is a company 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3-15 Related party transactions

Related party

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

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

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

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

- 1) The enterprise and the company 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).
- 2) One of the two companies is an associate or a joint venture of the other company (or an associate or joint venture of a member of a group of which the other company is a member).
- 3) Both companies are joint ventures of the same third party.
- 4) One of the two companies is a joint venture of a third company and the other company is an associate of the third company.
- 5) A company is a post-employment benefit plan for employees of any of the companies whose financial reports are prepared or a company related to the company that prepares its financial statements. If the company 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 company that prepares its financial statements.
- 6) The company is controlled or controlled jointly by a person specified in paragraph (a).
- 7) The person specified in Paragraph (a) (i) has a material impact on the company or is a member of the senior management of the company (or parent company).
- 8) The company or any member of a group of it provides part of the services of the employees of the higher management of the company that prepares its financial statements or to the parent company of the company that prepares its financial statements.

3-16 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 other comprehensive income in the period in which they occur. Re-measurements recognized in other comprehensive income are reflected immediately in retained earnings and will not be reclassified to profit or loss.

- Retirement benefits

The Company 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.

3-17 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3-17 Revenue recognition

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.

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.

Over time contracts

However, the Group has determined that, for its typical contracts of multi-unit property, its performance does not create an asset with alternative use to the Group and it has concluded that, at all times, it has an enforceable right to payment for performance completed to date. Therefore, control transfers over time for these contracts. For contracts that meet the overtime revenue recognition criteria, the Group's performance is measured using an input method, by reference to the costs incurred to the satisfaction of a performance obligation (e.g., resources consumed, labour hours expended, costs incurred, time elapsed or machine hours used) relative to the total expected inputs to the completion of the property.

Point in time contracts

Where the criteria for overtime revenue recognition is not met, revenue is recognised at a point in time, only when the control criteria as per IFRS 15 paragraph 38 is met. Control is normally obtained by the customers when they are able to obtain economic benefits from the properties, this is typically on handover of the properties. In order for the properties to be ready for handover, all the individual promises in the contract must be complete, this will include properties which require the units to be available for operational readiness.

A- Real estate project revenue

The company recognizes the revenue over the time, the company assesses each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognizing revenue.

The company has assessed that based on the sale agreements entered into with customers and the provisions of relevant laws, regulations and the real estate development sub-agreement with the National Housing Company and with enforceable rights to obtain compensation for the work done so far in the event of any dispute and termination of the contract.

The company does not create an asset that has an alternative use for the group, according to the management's opinion, as it is contractually restricted, and there are practical limitations on the ability to direct the asset to another use. Building.

Accordingly, the Group recognizes revenue over time. The group considers that the use of the input method, which requires proof.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3-17 Revenue recognition

A- Real estate project revenue

Revenue is based on the Group's efforts to meet performance obligations, and it provides the best reference for revenue actually earned.

When the input method is applied, the Group estimates the cost to complete the projects in order to determine the amount of revenue to be recognized.

The Group exercises provisions regarding the recognition of revenues from sales of residential villas under the contract signed with customers.

This is through enforceable rights and compensation for the work performed to date

The company is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognizing revenue.

The company has assessed that based on the sale agreements entered into with customers and the provisions of relevant laws and regulations, where contracts are entered into to provide real estate assets to customer, the company does not create an asset with an alternative use to the Group and usually has an enforceable right to payment for performance completed to date. Based on this, the company recognizes revenue over time. Where this is not the case, revenue is recognized at a point in time

B- Revenue from the sale of real estate investments

Revenues from the sale of investment lands prepared for sale (developed or undeveloped) are recognized upon the execution and completion of the sale process and the transfer of significant ownership risks and privileges to the buyer.

3-18 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.

3-19 Provisions

Provisions are made when the Company 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.

3-20 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.

3-21 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.

3-22 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3-23 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.

3-24 New standards, amendments to standards and interpretations

There are no new standards that have been issued, however, a number of amendments to the standards are effective from January 1, 2021 and are shown below, but they do not have a material impact on the financial statements of the company.

The following is a statement of the new standards and amendments to the applicable standards for years beginning on or after January 1, 2021:

Amendments to IFRS 7 and IFRS 16 Interest Rate Measurement Correction – Phase the second

Phase II adjustments address issues that arise from implementing reforms, including substituting standard rates for alternative prices. The Phase II amendments provide additional temporary exemptions from applying the hedge accounting requirements of IAS 39 and IFRS 9 to hedging relationships directly affected by the interest rate index reform.

Amendment to IFRS 16, “Leasing Contracts” - COVID-19 Lease Concessions

As a result of the COVID-19 pandemic, rental concessions have been granted to tenants. In May 2020, the International Accounting Standards Board published an amendment to IFRS 16 that provides an optional practical means for lessees to assess whether a rental concession related to COVID-19 is a lease modification. On March 31, 2021, the International Accounting Standards Board published an additional amendment extending the date from June 30, 2021 to June 30, 2022. Tenants can choose to account for lease concessions the same way they would if there were no rent adjustments. In many cases, this results in accounting for the lien as variable lease payments in the period(s) in which the event or circumstance that gave rise to the reduced payment occurred.

Standards issued but not yet effective

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after 1 January 2022 and earlier application is permitted; however, the Company has not early adopted them in preparing these Financial Statements.

- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter.
- IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ test for de-recognition of financial liabilities.
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current.
- Amendments to IFRS 3: Reference to the Conceptual Framework.
- Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use.
- Amendments to IAS 37: Onerous Contracts – Costs of Fulfilling a Contract.
- Amendments to IAS 8: Definition of Accounting Estimates.
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies.

The Company does not expect that the adoption of these new and revised standards and interpretations will have a material impact on its financial statements.

4. CASH AND CASH EQUIVALENTS

This item consists of the following:

	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
Cash on hand	40,359	-
Cash at banks	18,269,794	1,383,521
Restricted cash at banks *	53,544,521	6,251,491
Cash and Cash Equivalents	71,854,674	7,635,012

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

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5. PREPAYMENTS AND OTHER ASSETS

	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
Margin held against bank guarantees	21,900,000	4,800,000
Advance payment to suppliers	11,807,725	-
VAT (debit)	3,371,006	-
Staff advances	2,430,183	311,575
Refundable deposits	2,112,267	-
Other receivable	733,876	684,416
	<u>42,355,057</u>	<u>5,795,991</u>

6. REAL ESTATE HELD FOR SALE

A. This item represents lands held for sale as per company's board of directors' decision dated 31/12/2019. The lands are stated at cost and are not depreciated. The company obtains an evaluation by an independent and accredited valuer of the properties held for sale. The company's lands were valued as on December 31, 2021 at an amount of SR 12,833,167 (December 31, 2020 an amount of SR 12,390,644) using a fair value measurement by the Tawbaz Real Estate appraisal Office under commercial registration No. 4030595933 and evaluation license No. 1210001140.

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

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

7. INVESTMENT IN REAL ESTATE PROJECT UNDER DEVELOPMENT

These investments represent the company's ownership share in the land (entrance) above Makkah, which is proven by the percentage of an investor's share issued by Adeer Al Osool Real Estate Company for the purpose of development or sale, which was recorded at cost.

During the year, the company signed a loan repayment agreement with Sumou Holding Co (shareholder), according to which Sumou Real Estate Co waived an amount of 113,160,313 SR from its share in the Makkah Gate project in favor of Sumou Holding Co, in return for Sumou Holding Co will to repay the outstanding loan on Sumou Real Estate Co to the bank.

Furthermore, during the year the company also signed a share swap agreement with Sumou Holding Co (shareholder), according to which Sumou Holding Com waived (10%) of its share in the ownership of Tanal Real Estate Development and Investment Company (a limited liability company) as on December 31, 2020 in favor of Sumou Real Estate Co in the amount of SR 68,055,780 in return for Sumou Holding Co obtaining an investment share of the same value in the Makkah Gate project.

The details of the movement of investments in real estate projects under development are as follows:

	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
Balance at the beginning of the year	174,139,747	252,835,336
Swap Transaction	(181,216,093)	(78,695,589)
Recorded as Liability for Sumou Holding Company*	7,076,346	-
Balance at the ending of the year	<u>-</u>	<u>174,139,747</u>

*The outstanding Balance for Sumou Holding Company as of December 31 2021 equals to Zero Saudi Riyal.

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8. F. PROPERTY, AND EQUIPMENT - NET

Cost	Improvement on leaseholds	Furniture and fixtures	Office equipment	Motor Vehicles	Total
The balance on 1 January 2021	4,173,915	4,058,136	1,359,761	3,414,300	13,006,112
Reconciliation due to consolidation	152,415	139,566	-	-	291,981
Additions during the year	-	6,087	254,495	191,350	451,932
Disposal during the year	(152,415)	(139,566)	-	(2,206,300)	(2,498,281)
The balance on 31 December 2021	4,173,915	4,064,223	1,614,256	1,399,350	11,251,744
Accumulated depreciation					
The balance on 1 January 2021	3,546,861	4,045,726	1,340,024	3,264,815	12,197,426
Reconciliation due to consolidation	152,415	139,566	-	-	291,981
Charge for the year	181,952	5,544	31,436	94,746	313,678
Disposal during the year	(152,415)	(139,566)	-	(2,206,300)	(2,498,281)
The balance on 31 December 2021	3,728,813	4,051,270	1,371,460	1,153,261	10,304,804
Net book value					
December 31, 2021	445,102	12,953	242,796	246,089	946,940
December 31, 2020	627,054	12,410	19,737	149,485	808,686

- Depreciation of property, plant and equipment amounted to SR 313,677 and SR 314,489 for the two years ended December 31, 2021 and 2020, respectively.

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9. INVESTMENT PROPERTIES

	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
Lands	<u>60,220,776</u>	<u>60,220,776</u>
	60,220,776	60,220,776

- Investment properties are evaluated annually by an accredited independent evaluation for investment properties. The company's lands were valued as on December 31, 2021 at an amount of SR 61,034,040 (December 31, 2020 an amount of SR 62,629,606) using a fair value measurement by the Tawbaz Real Estate appraisal Office under Commercial Registration No. 4030595933 and evaluation license No. 1210001140.
- During 2021, a number of lands were mortgaged by a local bank, as part of the facilities agreement obtained by the company, with a total amount of SR 114 million.

10. PROJECTS UNDER DEVELOPMENT

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, at an estimated cost of SR 357 million, including the price of land.

B) Below are the project details:

	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
The land of the Dar Sumou project	73,271,772	-
Development, implementation and construction costs incurred	<u>23,165,280</u>	-
Total	<u>96,437,052</u>	-
Work performed during the year (note 23)	<u>(29,139,773)</u>	-
Balance as of December 31, 2021	<u>67,297,279</u>	-

11. RIGHT OF USE ASSETS AND LEASE OBLIGATIONS - NET

The subsidiary company (Al-Mahafeel Trading and Contracting Company Ltd.) 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.

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, 2021	-	-	-
Additions during the year	21,784,442	795,847	22,580,289
The balance as at December 31, 2021	<u>21,784,442</u>	<u>795,847</u>	<u>22,580,289</u>
Accumulated depreciation			
The balance as at January 01, 2021	-	-	-
Charge for the year	(871,378)	(265,282)	(1,136,660)
The balance as at December 31, 2021	<u>(871,378)</u>	<u>(265,282)</u>	<u>(1,136,660)</u>
Net book value			
As at 31 December 2021	<u>20,913,064</u>	<u>530,565</u>	<u>21,443,629</u>
As at 31 December 2020	-	-	-

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

	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
Non-current lease obligations	20,177,856	-
Current lease obligations	<u>1,586,928</u>	-
Total lease obligations	<u>21,764,784</u>	-

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11. RIGHT OF USE ASSETS AND LEASE OBLIGATIONS - NET (continued)

The finance cost recognized from lease obligations during the year ended 31 December 2021 amounted to SR 783,045.

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

	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
General and administrative expenses	20,590	-
Cost of revenue	762,455	-
	<u>783,045</u>	<u>-</u>

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

	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
General and administrative expenses	265,282	-
Cost of revenue	871,378	-
	<u>1,136,660</u>	<u>-</u>

12. 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>
Cost		
The balance as at January 01, 2021	-	-
Additions during the year	1,233,454	1,233,454
The balance as at December 31, 2021	<u>1,233,454</u>	<u>1,233,454</u>
Accumulated amortization		
The balance as at January 01, 2021	-	-
Charge for the year	(200,075)	(200,075)
The balance as at December 31, 2021	<u>(200,075)</u>	<u>(200,075)</u>
Net book value		
As at 31 December 2021	1,033,379	1,033,379
As at 31 December 2020	-	-

13. INVESTMENTS IN COMPANIES DESIGNATED BY EQUITY METHOD

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

	<u>Actual</u>		<u>31 December</u>	<u>31 December</u>
	<u>Ownership</u>		<u>2021</u>	<u>2020</u>
	<u>2021</u>	<u>2020</u>		
Investments in Western Dhahiat Company (13-a)	25%	25%	276,320,125	286,137,718
Investments in Tanal Real Estate Development and Investment Company (13-b)	10%	-	65,007,048	-
			<u>341,327,173</u>	<u>286,137,718</u>

a) Investments in Western Dhahiat Company:

- The company owns 25% of the net assets of the Western Dhahiat Company, which operates mainly in the Kingdom of Saudi Arabia and the investment was treated using the equity method.
- Western Dhahiat Company is a limited liability company with a capital of SR 100,000. The address of the company's head office is in Jeddah. The company's activity is in the general construction of residential buildings, and non-residential buildings, the purchase and sale of land and real estate, and its division, and off-plan sales activities.
- The return on investment in the associate was calculated based on the audited financial statement for the year ending on December 31, 2021.

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13. INVESTMENTS IN COMPANIES THROUGH EQUITY METHOD (continued)

a) Investments in Western Dhahiat Company:

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

	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
Total assets	1,105,446,801	1,144,662,174
Total liabilities	166,300	111,300
Equity	1,105,280,501	1,144,550,874
Revenue	-	-
Expenses	(3,791,269)	(1,381,796)
Net loss	(3,791,269)	(1,381,796)
Other comprehensive loss	(35,479,104)	(41,307,439)
<u>The investment movement</u>		
	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
Beginning balance for the year	286,137,718	218,114,438
Company's share of net loss for the year	(947,817)	(345,449)
Company's share of other comprehensive loss for the year	(8,869,776)	(10,326,860)
Shares transferred from related party - additional contributions	-	78,695,589
Balance at the end of the year	<u>276,320,125</u>	<u>286,137,718</u>

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.

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

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 International Financial Reporting Standards. The accounting policies used in preparing the consolidated financial statements of the associate are consistent with those of Sumou Real Estate Company.

	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
Summary of the consolidated statement of profit or loss and other comprehensive income:		
Revenues	838,917,642	-
Profit from the main business	360,244,312	-
Net profit for the year	326,485,103	-
Total comprehensive income for the year	326,485,103	-
Company's share of profit for the year	32,648,510	-
The company's share of total comprehensive income	32,648,510	-

The share in net profit and share in other comprehensive income has been calculated based on the consolidated financial statements of Tanal Investment and Real Estate Development Company.

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13. INVESTMENTS IN COMPANIES THROUGH EQUITY METHOD (continued)
b) Investments in Tanal Company for Investment and Real Estate Development

	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
<u>Assets</u>		
Non-current assets	187,579,291	-
Current assets	491,210,506	-
Total assets	678,789,797	-
<u>Liabilities and Equity</u>		
Non-current liabilities	-	-
Current liabilities	28,719,315	-
Total Equity	650,070,482	-
Total Liabilities and Equity	678,789,797	-
<u>The investment movement</u>		
	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
Investment cost	68,055,778	-
Other equity component recovery (Note 16)	(35,697,240)	-
Total share in equity	32,358,538	-
Share of profit for the year	32,648,510	-
Book value of the investment	65,007,048	-

C) The company's share of the results of the companies invested in by the equity method:

	<u>2021</u>	<u>2020</u>
Western Dhahiat Company note 13-A	(947,817)	(345,449)
Tanal Real Estate Development and Investment Company note 13-B	32,648,510	-
	31,700,693	(345,449)

14. ACCRUED EXPENSES AND OTHER LIABILITIES

	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
Advance payments from clients	4,800,000	4,800,000
Accrued rent	1,333,250	-
Retention	914,645	-
Allowances for board members	825,000	-
Accrued bonus	561,644	421,334
General provision	500,000	-
Accrued financial charges	500,000	2,589,427
Accrued Vacations and tickets	350,446	318,728
Accrued Professional fees	168,000	225,000
Other payables	181,300	99,155
	10,134,285	8,453,644

15. ZAKAT PROVISION

A) Zakat assessment status:

The company received letters of amendment for the years 2010 to 2015 on March 13, 2018 and February 28, 2018 for an amount of 26,845,084 Saudi riyals. The company paid an amount of 7,619,442 Saudi riyals, and objected to the Zakat, Tax and Customs Authority on April 26, 2018, and a lawsuit was filed with the General Secretariat of Tax Committees on May 21, 2020 AD in the amount of 17,808,673 Saudi riyals.

The company received letters of amendment for the years from 2016 to 2018 on July 16, 2020, in the amount of 21,998,593 riyals. The company paid an amount of 5,658,559 Saudi riyals and objected to the Zakat, Tax and Customs Authority on 25/01/1442H corresponding to September 13, 2020, and a lawsuit was filed with the General Secretariat of the Tax Committees on November 8, 2020 in the amount of 16,330,034 Saudi riyals.

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15. ZAKAT PROVISION (continued)

A) Zakat assessment situation:

The company received letters of amendment for the years 2019 and 2020 on October 12, 2021, amounting to 12,119,787 Saudi riyals. The company 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.

And based on the opinion of the zakat advisor of the company, there is no need form a provision during the current period in return for the obligation.

B) The movement of the zakat provision:

	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
Balance at the beginning of the year	1,853,524	1,806,645
Charge during the year	2,445,894	1,853,524
Paid during the year	<u>(1,853,524)</u>	<u>(1,806,645)</u>
Provision balance at the end of the year	<u>2,445,894</u>	<u>1,853,524</u>

C) Zakat base:

	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
Shareholders equity	402,353,971	344,391,469
Accruals and Provisions	35,534,235	139,121,660
Non-Currant assets	<u>(395,489,003)</u>	<u>(531,979,236)</u>
Adjusted net profit for the year	54,119,112	74,140,969
zakat base	<u>96,518,315</u>	<u>25,674,862</u>
Calculated zakat	<u>2,445,894</u>	<u>1,853,524</u>

- Zakat is calculated based on the adjusted net profit or the zakat base, whichever is greater.

- Zakat is calculated from the adjusted net profit at 2.5%, while the zakat base is calculated from the zakat base minus the adjusted net profit at 2.577683% and 2.5% from the adjusted net profit.

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>2021</u>	<u>31 December</u> <u>2020</u>
Net profit for the year	83,315,587	73,234,750
Provisions made during the year	1,132,272	906,219
Other adjustments	<u>(30,328,747)</u>	<u>-</u>
Adjusted net profit for the year	<u>54,119,112</u>	<u>74,140,969</u>

E) Zakat status:

- Sumou Real estate Company submitted the zakat declaration for the year 2020 and obtained zakat certificate valid up to 29/09/1443H corresponding to 30/04/2022.
- Mahafel Trading and Contracting Limited Company submitted the zakat declaration for the year 2021 and obtained zakat certificate valid up to 10/10/1444 H corresponding to 30/04/2023.

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16. RELATED PARTY TRANSACTIONS

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

During the normal course of its business, the company had the following important transactions with major related parties during the year ended on 31 December 2021 and 2020, as follows:

Name	Relationship
Sumou Holding Co	Shareholder
Adeer Real Estate Co	Associate company
Asmou for real estate development Co	Associate company
Tanal Investment and Real Estate Development Co	Associate company
Mr. Mazen Mohamed Ibrahim Batterjee	Partner in subsidiary company
Dahyat Sumou Real estate Fund	Entity associated with senior management

The transactions and amounts related thereto for the year ended:

Description	Nature of the transaction	31 December 2021	31 December 2020
Sumou holding company	Swapping transaction*	7,076,346	-
Sumou holding company	Revenues	9,669,712	31,992,000
Adeer Real Estate Co	Revenues	20,000,000	34,000,000
Adeer Real Estate Co	Marketing commission	8,352,632	-
Asmou for real estate development Co	Revenues	23,000,000	-
Sumou holding company	Financing	-	14,579,205
Dahyat Sumou Real estate Fund	Revenues	17,241,026	17,767,841
Members of the Board of Directors and other committees	Allowances for attending meeting and bonuses	1,872,000	792,000
Senior management personnel	Salaries, allowances and incentives	2,940,000	1,930,000
Mr. Mazen Mohamed Ibrahim Batterjee	Financing	11,357	-

*Swapping transactions occurred between the company and Sumou Holding Company included in Note number (7) in the accompanying financials.

- Due to related parties is represented by the following:

	31 December 2021	31 December 2020
Adeer Real Estate Co	2,256,814	-
Mr. Mazen Mohamed Ibrahim Batterjee	11,357	-
Sumou Holding company	-	14,579,205
	<u>2,268,171</u>	<u>14,579,205</u>

17. LAND OBLIGATIONS AGAINST PROJECT UNDER DEVELOPMENT

A) land obligations against project under development represent the cost of the land, amounting to 73,271,772 Saudi riyals allocated by the National Housing Company in favor of the company with a total of 104,766 square meters of the Hamdaniya project, where the agreement stipulates the transfer of 10% of the balance of the project's escrow account after the lapse of six calendar months from delivery of the project land and 10% of the total proceeds from the sale of residential units in the project. The company has estimated the sale proceeds on the best expectations and estimates for the year ending on December 31, 2021.

B) Dar Sumou project land obligations:

	31 December 2021	31 December 2020
land obligations against project under development – Noncurrent portion	43,693,645	-
land obligations against project under development – Current portion	29,578,127	-
Total land obligations against project under development (note 10)	<u>73,271,772</u>	<u>-</u>

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18. 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.

19. LOANS

This item is summarized as follows:

	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
Term loan	-	110,000,000
Less: current portion	-	110,000,000
	-	-

The movement on loans is summarized as follows:

	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
Balance beginning of the year	110,000,000	140,000,000
Payments during the year	(110,000,000)	(30,000,000)
	-	110,000,000

During the year, the company signed a loan repayment agreement with Sumou Holding Co (shareholder), according to which Sumou Real Estate Co waived an amount of 113,160,313 SR from its share in the Makkah Gate project in favor of Sumou Holding Co, in return for Sumou Holding Co will to repay the outstanding loan on Sumou Real Estate Co to the bank. (Note 7). The financing costs for 2021 amounted to 1,061,427 Saudi riyals (2020: 7,406,596 Saudi riyals).

20. EMPLOYEE BENEFIT 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>2021</u>	<u>31 December</u> <u>2020</u>
Discount rate	2.25%	2.25%
Salary growth rate	3.0%	3.0%

The movement on employee benefit obligations is as follows:

	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
Beginning balance	2,895,180	2,077,633
Interest Cost	64,793	59,173
The current service cost	567,479	501,597
Actuarial losses for employee benefits obligations	135,497	372,922
Transfers during the year	(131,063)	-
Paid during the year	(30,983)	(116,145)
Ending balance	3,500,903	2,895,180

21. SHARE CAPITAL

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

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

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22. REVENUE

	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
Project management fees	67,910,738	92,518,527
Revenue from real estate projects	33,217,628	-
Revenue from construction work	2,000,000	1,000,000
Revenue from sale of land	-	3,640,072
	<u>103,128,366</u>	<u>97,158,599</u>

- Project management fees include revenue from related parties amounting to 69,910,738 Saudi riyals (2020: 83,759,841 Saudi riyals) (Note 16).

23. COST OF REVENUE

	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
The cost of real estate project revenues	29,139,773	-
Salaries, wages and related benefits	6,056,413	4,819,458
Construction work cost	1,459,872	749,500
Depreciation of right of use assets	871,378	-
The costs of financing lease obligations	762,455	-
Cost of lands sold	-	3,640,072
Other	39,213	674,408
	<u>38,329,104</u>	<u>9,883,438</u>

24. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
Salaries and related benefits	5,672,110	3,689,690
Board of directors bonuses	1,872,000	792,000
Rewards and incentives	1,010,144	350,000
Legal and professional fees	545,828	887,808
Subscription fees	538,412	169,792
General provision	500,000	-
Depreciation of property and equipment	313,677	314,489
Depreciation of the right of use assets	265,282	-
Amortization of intangible assets	200,075	-
Rent	-	386,100
Other	606,592	663,164
	<u>11,524,120</u>	<u>7,253,043</u>

25. PROJECT UNDER DEVELOPMENT

Sumou Real Estate Company entered into an agreement with the National Housing Company on August 19, 2020, a sub-agreement development agreement for the areas of land allocated to the Sumou Real Estate Company in Jeddah in the Al Hamdaniya housing project, which is being implemented on the Ministry's lands in Jeddah. The following are some of the important clauses of the agreement:

- 1- The commitment of Smou Real Estate Company to develop the sub-project to provide and sell housing units for the benefit of the beneficiaries in accordance with the executive plan for the development of the sub-project
- 2- Selling off-plan housing units in the sub-project to the beneficiaries, their financiers, or the entities that follow the financiers, according to Wafi rules.
- 3- Smou Real Estate Company provided a bank guarantee in favor of the National Housing Company, amounting to 30,999,970 Saudi riyals.
- 4- Obtaining all necessary licenses and approvals for the implementation of the sub-project from the relevant authorities within the scope of the superstructure works.

25. PROJECT UNDER DEVELOPMENT (continued)

5- Transferring the total financial value of the sub-project's land areas after the lapse of six Gregorian months starting from handing over the sub-project land to Smou Real Estate Company. Thus, Smou Real Estate Company is obligated to transfer a sum of money equivalent to 10% of the balance of the sub-project escrow account at the end of the day following the lapse of the stipulated six-month period. Also, Sumou Real Estate Company is obligated to transfer a sum of money equivalent to 10% of the total proceeds from the sale of housing units in the sub-project, which flows to the project's escrow account during each month following the stipulated six months.

6- Sumou Real Estate Company is obligated to complete the payment of the total value of the sub-project's land areas before the lapse of 42 months from the date of handing over the project land to Sumou Real Estate Company, or on the date of completing the project and selling its residential units, whichever comes first.

7- The title deed of the sub-project land allocated to Sumou Real Estate Company under this agreement remains in the name of the Ministry and in its name.

8- The National Housing Company obtaining a financial consideration of 3% of the total value of the housing units in the project according to the price approved for marketing to the beneficiaries (the price is inclusive of value-added tax and the value of the residential land on which the housing unit is located in cases where the Ministry requests the recovery of the value of the land on which the housing unit is located. The National Housing Company obtains it for that financial consideration by allocating 3% of the total value of each exchange document to be disbursed from the sub-project escrow account.

9- The area of the land on which the project is to be built was determined with an area of 104,766 square meters, as stated in Annex No. 1 of the agreement.

10- The real estate development sub-agreement signed on August 19, 2020 includes 412 housing units, and the name of the sub-real estate development project according to the agreement is Dar Smou Project.

26. EARNINGS PER SHARE

Earnings per share relating to net income has been calculated by dividing the net income for the year by the weighted average number of shares outstanding during the year, which amounted to 37.5 million shares as on December 31, 2021 (December 31, 2020: 37.5 million shares).

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

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

27. CONTINGENT LIABILITIES

As of December 31, 2021, the Company has contingent liabilities in the form of letters of guarantee amounting to SR 48,071,861 (December 31, 2020: SAR 41,558,051).

28. SEGMENT INFORMATION

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

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

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

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

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

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28. SEGMENT INFORMATION (continued)

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	Joint assets and liabilities	Total
As of 31 December 2021:					
Total assets	157,931,900	21,900,000	413,938,593	26,249,058	620,019,551
Total liabilities	151,410,756	5,300,000	-	9,072,824	165,783,580
Revenue	35,217,628	67,910,738	-	-	103,128,366
Gross profit	4,617,783	60,181,479	-	-	64,799,262
As of 31 December 2020:					
Total assets	-	22,360,346	532,888,885	3,188,198	558,437,429
Total liabilities	19,539,461	4,800,000	110,000,000	22,981,553	157,321,014
Revenue	1,000,000	92,518,527	3,640,072	-	97,158,599
Gross profit	250,500	87,024,661	-	-	87,275,161

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Fair value measurement of financial instruments

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

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

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

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

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

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

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 company's future commitment.

Capital risk management

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

In managing capital, the company aims to:

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

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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 company's income or the value of its financial instruments. Market risk management aims to manage and control market risk exposure within acceptable limits while maximizing returns.

Foreign currency risk management

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

Other Prices risk

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

Credit risk

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

	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
Cash at banks	71,854,674	7,635,012
Accounts receivable	<u>1,150,000</u>	<u>11,308,855</u>
	<u>73,004,674</u>	<u>18,943,867</u>

30. IMPORTANT EVENTS

- A) On 12/26/2021, Sumou Real Estate Company concluded a contracting contract to implement the first phase of the basic infrastructure works for the Public Benefit Market project located in the Holy City of Makkah on an area of (1,321,749) square meters, and it is one of the projects that the company will develop.
- B) On 21/12/2021, Sumou Real Estate Company entered into an agreement to manage the development, marketing and construction of 251 residential villas for the Areen Residential Project, located in the city of Al-Khobar. The implementation of the project will begin as soon as the off-plan sales license is issued.
- C) On 8/12/2021, Sumou Real Estate Company concluded an agreement to manage the infrastructure development and marketing for the Al-Danat Resort project in the city of Al-Khobar, with an area of (1,000,000) square meters. The implementation of the project will begin as soon as the off-plan sales license is issued.

31. SUBSEQUENT EVENTS

In the opinion of the management, there were no significant subsequent events after December 31, 2021 and up to the date of approval of the consolidated financial statements by the Board of Directors that might have a material impact on the financial statements as on December 31, 2021

32. COMPARATIVE FIGURES

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

33. GENERAL

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

34. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on Shaban 09, 1443H (March 12, 2022).