

Maharah for Human Resources Company and its Subsidiaries
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
31 December 2020

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(A Saudi Joint Stock Company)
Consolidated financial statements
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**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF MAHARAH FOR HUMAN RESOURCES COMPANY
(A Saudi Joint Stock Company)**

Opinion

We have audited the consolidated financial statements of Maharah for Human Resources Company (A Saudi Joint Stock Company) (the "Company") and its subsidiaries (together with the Company, referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020 and the related consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") that are endorsed in the Kingdom of Saudi Arabia ("KSA") and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA") (collectively referred to as "IFRSs as endorsed in KSA").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") that are endorsed in KSA. 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 professional code of conduct and ethics endorsed in KSA 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.

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 period. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF MAHARAH FOR HUMAN RESOURCES COMPANY
(A Saudi Joint Stock Company) (continued)**

Key Audit Matters (continued)

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p>Employees' end-of-service benefits obligations</p> <p>The balance of the Group's obligation in respect of employees' end-of-service benefits as at 31 December 2020 amounted to SR 63.6 million, representing around 14% of the Group's total liabilities. The obligation in respect of employees' end-of-service benefits is determined using the projected unit credit method. The Group engaged an independent actuary to assist them in the computation of the employees' end-of-service benefits obligation. Key assumptions applied in the actuarial valuation included discount rates, future salary increase, mortality rates, withdrawal rates and retirement age.</p> <p>We considered the determination and computation of the obligation in respect of employees' end-of-service benefits as a key audit matter due to the high degree of estimation uncertainty involved in determining the liability.</p> <p>Refer to note 4 to the consolidated financial statements for significant accounting policy relating to employees' end-of-service benefits, note 3 for the significant accounting estimates and assumptions relating to assumptions for employees' end-of-service benefits and note 21 for employees' end-of-service benefits related disclosures.</p>	<p>We performed the following procedures, among others:</p> <ul style="list-style-type: none"> • Obtained an understanding of the management's valuation process, including key estimates and assumptions and the involvement of the independent actuary in computing the employees' end-of-service benefits; • Performed various input data testing which includes testing the completeness of the population, selecting samples to agree their salary details to human resources records and testing of IT application controls to assess the effectiveness of controls in calculating the defined benefit plan liabilities; • Assessed the competency, independence and objectivity of the actuary; • Involved our specialist to assist us in evaluating the reasonableness of the key assumptions adopted in the valuation of the obligation in respect of the defined benefit plans, including the discount rate, future salary increases, mortality rates, withdrawal rates and retirement age. The evaluation of the reasonableness includes benchmarking of the key assumptions used against available market data; and • Assessed the adequacy of the Group's disclosures made in the notes the consolidated financial statements.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF MAHARAH FOR HUMAN RESOURCES COMPANY
(A Saudi Joint Stock Company) (continued)**

Key Audit Matters (continued)

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><i>Recording of employee related costs</i></p> <p>The Group provides manpower services to its customers. Employee related costs for the year ended 31 December 2020 amounted to SR 1,104.7 million, representing 96% of the Group's total cost of revenue. We consider employee related costs as a key audit matter due to the significance of management's judgement in accounting for employee related costs including the capitalization of various employee related costs, significant number of employees of the Group and also substantial volume of transactions in capturing and recording the employee related costs. This may result in a material misstatement of employee costs as recorded in the Group's consolidated financial statements.</p> <p>Refer to note 4 to the consolidated financial statements for significant accounting policies relating to employee related costs and note 26 for employee related costs recorded under cost of revenue for related disclosures.</p>	<p>We performed the following procedures, among others:</p> <ul style="list-style-type: none"> • Obtained understanding of the management's process in capturing and recording employee costs; • Evaluated the design, implementation and operating effectiveness of key controls over recording of employee related costs which includes testing of various IT application controls; • Performed various analysis, including correlation and relationship analysis of employee costs, to test the reasonableness of the patterns in recording employee related costs; • Performed recalculation of the subsequent measurement of employee related costs to test the reasonableness of the amounts recorded by the Group; and • Assessed the adequacy and appropriateness of the Group's disclosures.
<p><i>Impairment of accounts receivable and contract assets</i></p> <p>As at 31 December 2020, the gross accounts receivable and contract assets of the Group were SR 289.9 million, against which impairment allowance of credit losses of SR 73.08 million was maintained.</p> <p>We considered impairment of accounts receivable and contract assets as a key audit matter as the determination of the expected credit loss (ECL) involves significant judgement and this has a material impact on the consolidated financial statement of the Group.</p>	<p>We performed the following procedures, among others:</p> <ul style="list-style-type: none"> • Obtained an understanding of the management's process in determining and calculating the impairment of accounts receivable and contract assets; • Assessed the design and tested the operating effectiveness of relevant IT application controls in relation to the determination of expected credit losses which includes testing the controls relevant in producing the aging report;

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF MAHARAH FOR HUMAN RESOURCES COMPANY
(A Saudi Joint Stock Company) (continued)**

Key Audit Matters (continued)

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><i>Impairment of accounts receivable and contract assets (continued)</i></p> <p>The key area of judgement includes assumptions used in ECL model for determining Probability of Default (PD) and macroeconomic information to adjust the historic loss rate.</p> <p>Refer to note 4 to the consolidated financial statements for significant accounting policy relating to impairment of trade receivable and contract assets, note 3 for the significant accounting estimates and assumptions, note 4 for the credit risk related disclosures and note 8 for accounts receivable and contracts assets' expected credit losses related disclosures.</p>	<ul style="list-style-type: none"> • Tested the completeness of the population and aging of accounts receivable and contract assets for a sample of customer transactions. This included checking of the outstanding invoices as at the end of reporting period and matching them against the customer balances and agreeing the date of certain invoices against the proper aging bracket; • Evaluated management's continuous assessment of the appropriateness of assumptions used in the impairment assessment including the determination of PD and macroeconomic information. These considerations include whether there are regular receipts from the customers, past collection history as well as an assessment of the customers' credit ability to make repayments; and • Assessed the adequacy of the Group's disclosures made in the notes the consolidated financial statements.

Other information included in the Group's 2020 Annual Report

Other information consists of the information included in the Group's 2020 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The Group's 2020 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 will not express any form of assurance conclusion thereon.

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

When we read the Group's 2020 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF MAHARAH FOR HUMAN RESOURCES COMPANY
(A Saudi Joint Stock Company) (continued)**

Responsibilities of 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 KSA and the provisions of the Companies' Law and Company's By-laws and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance 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 that are endorsed in KSA 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 that are endorsed in KSA, 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.
- 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 exists 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 disclosures 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.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF MAHARAH FOR HUMAN RESOURCES COMPANY
(A Saudi Joint Stock Company) (continued)**

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


- 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, actions taken to eliminate threats or safeguards applied.

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 period 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.

for Ernst & Young



Fahad M. Al-Toaimi
Certified Public Accountant
License No. 354

Riyadh: 23 Rajab 1442H
(7 March 2021)



Maharah for Human Resources Company and its Subsidiaries
(A Saudi Joint Stock Company)
Consolidated Statement of Financial Position
As at 31 December 2020

	Notes	31 December 2020 SR	31 December 2019 SR
Assets			
Current assets			
Cash and cash equivalents	6	57,909,641	188,704,375
Murabaha time deposits	7	260,000,000	110,000,000
Accounts receivable	8	185,096,059	230,639,631
Contract assets	9	57,604,837	31,012,672
Prepayments and other current assets	10	179,899,043	219,830,250
Available visas	11	28,510,000	29,558,000
Total current assets		769,019,580	809,744,928
Non-current assets			
Property and equipment	13	173,031,258	178,723,769
Right-of-use assets	18	26,071,438	36,262,288
Intangible assets – Goodwill	14	4,450,237	4,450,237
Other intangible assets	15	2,654,134	3,184,968
Equity investments at fair value through profit or loss ("FVTPL")	16	33,428,757	32,885,619
Investment in an associate	17	16,006,778	16,330,373
Other non-current assets	10	1,347,316	21,528,002
Total non-current assets		256,989,918	293,365,256
Total assets		1,026,009,498	1,103,110,184
Liabilities and equity			
Liabilities			
Current liabilities			
Accounts payable, accruals and others	19	197,314,373	195,412,747
Contract liabilities	9	90,319,601	97,440,652
Retained deposits		85,321,190	119,079,009
Zakat payable	20	16,476,723	26,670,770
Total current liabilities		389,431,887	438,603,178
Non-current liabilities			
Lease liabilities, non-current	18	17,358,401	27,976,379
Employees' end-of-service benefits	21	63,689,749	51,077,674
Total non-current liabilities		81,048,150	79,054,053
Total liabilities		470,480,037	517,657,231
Equity			
Share capital	22	375,000,000	375,000,000
Statutory reserve	23	67,512,731	49,780,945
Other reserves	23	(9,446,161)	(4,994,161)
Retained earnings		125,989,840	170,778,768
Equity attributable to the Shareholders of the Parent Company		559,056,410	590,565,552
Non-controlling interests		(3,526,949)	(5,112,599)
Total equity		555,529,461	585,452,953
Total liabilities and equity		1,026,009,498	1,103,110,184

The accompanying notes from 1 to 38 form an integral part of these consolidated financial statements.

Maharah for Human Resources Company and its Subsidiaries
(A Saudi Joint Stock Company)
Consolidated Statement of Income
For the year ended 31 December 2020

	Notes	2020 SR	2019 SR
Revenue	25	1,416,355,176	1,512,298,527
Cost of revenue	26	(1,150,527,496)	(1,132,491,947)
Gross profit		265,827,680	379,806,580
General and administration expenses	27	(60,806,118)	(67,144,052)
Marketing expenses	28	(11,975,375)	(8,734,757)
Provision for doubtful debts	8 & 9	(10,017,688)	(21,388,539)
Income from main operations		183,028,499	282,539,232
Other income, net	29	6,565,407	11,391,090
Share in net loss of an associate	17	(323,595)	(2,309,232)
Net gain on equity investments at FVTPL	16	543,138	894,335
Income before zakat		189,813,449	292,515,425
Zakat	20	(10,909,941)	(25,584,742)
Net income for the year		178,903,508	266,930,683
Net income for the year attributable to:			
Shareholders of the Parent Company		177,317,858	272,086,393
Non-controlling interests		1,585,650	(5,155,710)
		178,903,508	266,930,683
Basic and diluted earnings per share:			
Net income for the year per share attributable to Shareholders of the Parent Company	30	4.73	7.26

The accompanying notes from 1 to 38 form an integral part of these consolidated financial statements.

Maharah for Human Resources Company and its Subsidiaries
(A Saudi Joint Stock Company)
Consolidated Statement of Comprehensive Income
For the year ended 31 December 2020

	Notes	2020 SR	2019 SR
Net income for the year		178,903,508	266,930,683
Other comprehensive loss:			
<i>Item that will be reclassified to consolidated statement of income:</i>			
Cumulative currency translation loss	23	-	(1,825)
<i>Item that will not be reclassified to consolidated statement of income:</i>			
Re-measurements of employees' end-of-service benefits	21	(4,452,000)	(11,907,000)
Other comprehensive loss for the year		(4,452,000)	(11,908,825)
Total comprehensive income for the year		174,451,508	255,021,858
Total comprehensive income for the year attributable to:			
Shareholders of the Parent Company		172,865,858	260,177,568
Non-controlling interests		1,585,650	(5,155,710)
		174,451,508	255,021,858

The accompanying notes from 1 to 38 form an integral part of these consolidated financial statements.

Maharah for Human Resources Company and its Subsidiaries
(A Saudi Joint Stock Company)
Consolidated Statement of Changes in Equity
For the year ended 31 December 2020

	Attributable to Shareholders of the Parent Company					Non-controlling interests SR	Total equity SR
	Share capital SR	Statutory reserve SR	Other reserves SR	Retained earnings SR	Total SR		
Balance as at 1 January 2019	375,000,000	22,572,306	6,914,664	26,026,014	430,512,984	(1,094,008)	429,418,976
Net income (loss) for the year	-	-	-	272,086,393	272,086,393	(5,155,710)	266,930,683
Other comprehensive loss for the year	-	-	(11,908,825)	-	(11,908,825)	-	(11,908,825)
Total comprehensive income for the year	-	-	(11,908,825)	272,086,393	260,177,568	(5,155,710)	255,021,858
Movement in non-controlling interest	-	-	-	-	-	1,137,119	1,137,119
Transfer to statutory reserves (note 23)	-	27,208,639	-	(27,208,639)	-	-	-
Dividends (note 24)	-	-	-	(100,125,000)	(100,125,000)	-	(100,125,000)
Balance as at 31 December 2019	375,000,000	49,780,945	(4,994,161)	170,778,768	590,565,552	(5,112,599)	585,452,953
Net income for the year	-	-	-	177,317,858	177,317,858	1,585,650	178,903,508
Other comprehensive loss for the year	-	-	(4,452,000)	-	(4,452,000)	-	(4,452,000)
Total comprehensive income for the year	-	-	(4,452,000)	177,317,858	172,865,858	1,585,650	174,451,508
Transfer to statutory reserves (note 23)	-	17,731,786	-	(17,731,786)	-	-	-
Dividends (note 24)	-	-	-	(204,375,000)	(204,375,000)	-	(204,375,000)
Balance as at 31 December 2020	375,000,000	67,512,731	(9,446,161)	125,989,840	559,056,410	(3,526,949)	555,529,461

The accompanying notes from 1 to 38 form an integral part of these consolidated financial statements.

Maharah for Human Resources Company and its Subsidiaries
(A Saudi Joint Stock Company)
Consolidated Statement of Cash Flows
For the year ended 31 December 2020

	Notes	2020 SR	2019 SR
Operating activities			
Income before zakat		189,813,449	292,515,425
Adjustments:			
Provision for employees' end-of-service benefits	21	21,264,647	18,255,399
Provision for doubtful debts	8 & 9	10,017,688	21,388,539
Depreciation of property and equipment	13	13,423,687	10,508,099
Depreciation of right-of-use assets	18	9,765,394	8,310,862
Amortization of intangible assets	15	594,004	2,006,615
Share in net loss of an associate	17	323,595	2,309,232
Net gain on equity investments at FVTPL	16	(543,138)	(894,335)
Finance costs on lease liabilities	18	1,017,816	1,038,781
Earnings from Murabaha time deposits	29	(2,254,143)	(6,234,402)
Reversal of accrued salaries no longer payable	29	(1,463,248)	(6,206,996)
		241,959,751	342,997,219
Changes in working capital:			
Accounts receivable		37,714,028	(107,853,098)
Contract assets		(28,780,309)	6,401,363
Prepayments and other assets		64,052,092	(101,373,652)
Available visas		1,048,000	(164,000)
Accounts payable, accruals and others		5,687,217	(28,890,226)
Contract liabilities		(7,121,051)	6,343,755
Retained deposits		(33,757,819)	(17,956,956)
Cash generated from operations		280,801,909	99,504,405
Zakat paid	20	(21,103,988)	(10,987,701)
Employees' end-of-service benefits paid	21	(13,104,572)	(14,337,725)
Net cash from operating activities		246,593,349	74,178,979
Investing activities			
Purchase of property and equipment	13	(7,755,657)	(24,169,851)
Additions to intangible assets	15	(63,170)	(19,446)
Payment of deferred consideration related to acquisition of an associate	12	(7,501,097)	(5,629,503)
Non-controlling interests		-	1,137,119
Movements in Murabaha time deposits, net		(147,745,857)	170,234,402
Net cash (used in) from investing activities		(163,065,781)	141,552,721
Financing activities			
Payment of lease liabilities	18	(9,947,302)	(8,596,168)
Dividends paid	24	(204,375,000)	(100,125,000)
Cash used in financing activities		(214,322,302)	(108,721,168)
Net (decrease) increase in cash and cash equivalents		(130,794,734)	107,010,532
Cash and cash equivalents at beginning of the year	6	188,704,375	81,693,843
Cash and cash equivalents at end of the year		57,909,641	188,704,375
Supplemental non-cash information:			
- Right-of-use assets		4,083,698	44,577,013
- Lease liabilities		5,089,004	43,968,750

The accompanying notes from 1 to 38 form an integral part of these consolidated financial statements.

1 Corporate information and activities

Maharah for Human Resources Company (the "Company" or "Parent Company") is a Saudi Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia ("KSA") under commercial registration numbered 1010364538 and dated 7 Rabi Thani 1434H (corresponding to 17 February 2013). The registered office is located at Al Olaya Road, Al Yasmeen District, Riyadh, KSA.

The Company and its subsidiaries (collectively with the Company referred to the "Group") are engaged in providing recruitment services for public and private sectors.

Following is the subsidiary included in these consolidated financial statements as at 31 December 2020 and 2019:

	<u>Ownership</u>
Musanid Cleaning Services	85%

On 17 September 2017, the Company acquired 85% ownership of Musanid Cleaning Services (the "Subsidiary"), a Limited Liability Company registered in United Arab Emirates (UAE) under commercial registration numbered 1304819 and dated 26 Dhul-Hijjah 1438H (corresponding to 17 September 2017). The Subsidiary is licensed in providing building cleaning services.

Effective 1 January 2018, the Subsidiary acquired a 70% ownership of TPH Center for Domestic Workers "Formerly TPH Cleaning Services" ("TPH"), a Limited Liability Company registered in UAE under commercial registration numbered 729497 and dated 25 Jumad Awal 1436H (corresponding to 16 March 2015). TPH is licensed in providing building cleaning services and residential property core services.

As at 31 December 2020 and 2019, the following are the subsidiaries owned by TPH:

	<u>Ownership %</u>
The Perfect Help LLC (*)	100%
TPH Public Health Pest Control Services One Person Co. LLC (formerly "Missing Ingredient Cleaning Establishment") (**)	100%
MPL Building maintenance LLC (***)	100%
Yalla Fix It One Person Company LLC (****)	100%

(*) As at the date of the Subsidiary's acquisition of TPH, these entities are already 100% owned by TPH.

(**) On 1 January 2018, TPH acquired 100% shares of TPH Public Health Pest Control Services One Person Co. LLC (formerly "Missing Ingredient Cleaning Establishment") ("TPHC"), a Limited Liability Company registered in UAE under commercial registration numbered 1338526 and dated 6 Dhul-Qadah 1432H (corresponding to 4 October 2011). TPHC is licensed in providing building cleaning services and public health pests control services.

(***) On 1 January 2018, TPH acquired 100% shares of MPL Building Maintenance LLC ("MPL"), a Limited Liability Company registered in UAE under commercial registration numbered 1344621 and dated 12 Rajab 1435H (corresponding to 11 May 2014). MPL is licensed in providing building maintenance services.

(****) TPH established a wholly owned subsidiary, Yalla Fix It One Person Company LLC ("Yalla"), a Limited Liability Company registered in UAE under commercial registration numbered 1341927 and dated 7 Sha'aban 1439H (corresponding to 23 April 2018). Yalla is licensed in providing services in air conditioning, ventilations and air filtration systems installation and maintenance; electromechanical equipment installation and maintenance; plumbing and sanitary contracting; solar energy systems installation, floor and wall tiling works; painting contracting; carpentry and flooring contracting; wall paper fixing; and plaster and cladding works.

The consolidated financial statements were authorized for issue with the resolution of the Board of Directors on 23 Rajab 1442H (corresponding to 7 March 2021).

2 Basis of preparation

Statement of compliance

These are the Group's consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") that are endorsed in KSA and other standards and pronouncements that are endorsed by Saudi Organization for Certified Public Accountants ("SOCPA") (collectively referred to as "IFRSs as endorsed in KSA").

Basis of measurement and functional currency

These consolidated financial statements are prepared under the historical cost convention except for measurement of equity investments at FVTPL that are measured at fair value.

These consolidated financial statements are presented in Saudi Arabian Riyal (SR), which is the functional currency of the Parent Company.

3 Significant accounting estimates, assumptions and critical judgements

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses and assets and liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing material differences in the carrying amounts of assets and liabilities within the next financial period, are presented below. The Group used these assumptions and estimates on the basis available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Long-term assumptions for employee benefits

Employees' end-of-service benefits represent obligations that will be settled in the future and require assumptions to project obligations and are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. Management is required to make further assumptions regarding variables such as discount rates, rate of salary increase, mortality rates and employment turnover. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Periodically, management of the Group consults with external actuaries regarding these assumptions. Changes in key assumptions can have a significant impact on the projected benefit obligations and/or periodic employee defined benefit costs incurred.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent in which the benefits will be paid and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation.

Provisions

By their nature, provisions are dependent upon estimates and assessments whether the criteria for recognition have been met, including estimates of the probability of cash outflows. Provisions for litigation are based on an estimate of the costs, taking into account legal advice and other information presently available. Provisions for termination benefits and exit costs, if any, also involve management's judgement in estimating the expected cash outflows for other exit costs. Provisions for uncertain liabilities involve management's best estimate of whether cash outflows are probable.

3 Significant accounting estimates, assumptions and critical judgements (continued)

Estimates and assumptions (continued)

Impairment test of non-financial assets

Impairment exists when the carrying value of an asset or Cash Generating Unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing off the asset. The value in use calculation is based on a Discounted Cash Flow ("DCF") model. The cash flows are derived from the budget for the next four to six years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future net cash-inflows and the growth rate used for extrapolation purposes.

Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the stand-alone credit rating).

Provision for expected credit losses of accounts receivable and contract assets

The Group uses a provision matrix to calculate ECLs for accounts receivable and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., customer type). The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. Refer to note (33) for further information.

Annual impairment testing of goodwill

The Group's management tests whether goodwill has suffered any impairment at least on an annual basis. This requires an estimation of recoverable amounts of the CGU to which the goodwill is allocated. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions applied in the determination of the value-in-use are disclosed and further explained in note 14 to the consolidated financial statements.

Critical judgements in applying accounting standards

The following critical judgements have the most significant effect on the amounts recognized in the consolidated financial statements:

Determination of control and significant influence

Management's judgement in assessing control over consolidated subsidiaries:

Subsidiaries are all investees over which the Group has control. The Group's management considers that the Group controls an entity when the Group is exposed to or has rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of those returns through its power to direct the relevant activities of the investees.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has equal or less than a majority of the voting or similar rights of an investee, the Group considers all other relevant facts and circumstances in assessing whether it has power over an investee, including any contractual and other such arrangements which may affect the activities which impact investees' return.

3 Significant accounting estimates, assumptions and critical judgements (continued)

Critical judgements in applying accounting standards (continued)

Determination of control and significant influence (continued)

Management's judgement in assessing control over consolidated subsidiaries (continued):

The determination about whether the Group has power thus depends on such relevant activities, the way decisions about the relevant activities are made and the rights the Group has, in relation to the investees.

Management's judgement in assessing significant influence over investees:

Judgement is required, particularly where the Group owns shareholding and voting rights of generally 20% and above but where the management does not believe that it has 'control' or 'joint control' over such investee.

In case of such investee, the Group's management has concluded it has 'significant influence' in line with the requirements of IFRSs as endorsed in KSA. Significant influence is defined as the power to participate in the financial and operating policy decisions of the investee but is not 'control' or 'joint control'. IFRSs as endorsed in KSA provides various indicators of 'significant influence', including representation in the Board of Directors and participation in policymaking process.

By virtue of the Group's shareholding rights in the investee's general meetings, as well as the Group's representation on Board of Directors of such investee and the Group's involvement in operating and financial policies and decision making, management believes it has 'significant influence' over such investee ("Associate").

The Group is accounting for such investment in an associate under the equity method of accounting.

Economic useful lives of property and equipment

The Group's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. The Group periodically reviews estimated useful lives and the depreciation method to ensure that the method and year of depreciation are consistent with the expected pattern of economic benefits derived from these assets.

Significant judgement in determining the lease term of contracts with extension and termination options

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 (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within control.

4 Significant accounting policies

4.1 Summary of significant account policies

The significant accounting policies applied by the Group in the preparation of these consolidated financial statements are set out below:

Basis of consolidation

Subsidiaries

Refer to note (3) for details on judgements applied by the Group in respect of determination of control.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to the elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed during the year are included in the financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit / loss and each component of other comprehensive income ("OCI") are attributed to the shareholders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group asset and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

4 Significant accounting policies (continued)

4.1 Summary of significant account policies (continued)

Basis of consolidation (continued)

Subsidiaries (continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any non-controlling interests;
- derecognizes the cumulative translation differences recorded in equity;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained;
- recognizes any surplus or deficit in the consolidated statement of income; and
- reclassifies the shareholders' share of components previously recognized in OCI to consolidated statement of income or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

When the Group ceases to consolidate for an investment in a subsidiary because of a loss of control, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognized in the consolidated statement of income. This fair value becomes the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognized in OCI in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in OCI are reclassified to the consolidated statement of income

Details of the subsidiaries are provided in note (1). This note also discloses the country of incorporation, principal activities and percentages of ownership.

Non-controlling interests

Non-controlling interests in the results and equity of subsidiary is shown separately in the consolidated statement of financial position, consolidated statement of income, consolidated statement of comprehensive income and consolidated statement of changes in equity.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administration expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

4 Significant accounting policies (continued)

4.1 Summary of significant account policies (continued)

Basis of consolidation (continued)

Business combinations and goodwill (continued)

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

Contingent (deferred) consideration

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9, Financial Instruments, is measured at fair value with the changes in fair value recognized in the consolidated statement of income in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in the consolidated statement of income.

Associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Investments in an associate is accounted for using the equity method of accounting, after initially being recognized at cost.

Equity method

Equity method of accounting is used for the investment in an associate. Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in the consolidated statement of income, and the Group's share of movements in OCI of the investee in consolidated statement of comprehensive income, if any.

Dividends received or receivable from an associate is recognized as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions, if any, between the Group and its associate are eliminated to the extent of the Group's interest in its associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Goodwill, if any, relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statement of income outside operating income.

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

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

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in OCI are reclassified to the consolidated statement of income where appropriate.

4 Significant accounting policies (continued)

4.1 Summary of significant account policies (continued)

Foreign currencies

Presentation currency

The consolidated financial statements are presented in SR; as it is the Company's functional currency.

Transactions and balances

Foreign currency transactions are translated into SR at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting 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 consolidated statement of income. Translation of non-monetary items depends on whether they are recognized at historical cost or at fair value. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Non-monetary assets that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of non-monetary items is measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognized in consolidated statement of comprehensive income or consolidated statement of income).

Current versus non-current classification

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

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Fair value measurement

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

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

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

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

4 Significant accounting policies (continued)

4.1 Summary of significant account policies (continued)

Fair value measurement (continued)

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

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

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

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

Revenue recognition

The Group recognizes revenue as and when customer receives and consumes the services provided by the Group over a period of time i.e. number of days services are provided, which is in line with the requirements of IFRS 15.

Revenue is measured based on consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognizes revenue when the services are rendered to customers. Contract revenues are recognized based on manpower services provided to the customers (the services represent the performance obligation of the contract) over the terms of these agreements.

Variable consideration

If the consideration promised in a contract includes a variable amount, the Group estimates the amount of consideration to which the Group is entitled in exchange for transferring the promised services to a customer.

Significant financing component

The Group adjusts the promised amount of consideration, if any, for the time value of money if the contract contains a significant financing component.

Measuring progress towards complete satisfaction of a performance obligation

The performance obligation (rendering of services) is satisfied over time. The Group applies a single method of measuring progress toward satisfaction of the obligation. The Group uses input method as a basis to measure performance completed to date.

Contract costs

Contract costs are recognized as an expense unless the Group has a reasonable expectation to recover these costs from its customers and in cases where these costs are recoverable from the customers. The Group amortize these costs, if any, on a systematic basis, consistent with the transfer to the customer of the services. The Group recognizes contract costs if:

- The costs relate directly to a contract or to an anticipated contract that the Group can specifically identify.
- The costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- The incremental costs of obtaining a contract with a customer is expected to be recovered.
- Those costs would not have been incurred if the contract had not been obtained or if an anticipated contract has not been identified by the Group.

4 Significant accounting policies (continued)

4.1 Summary of significant account policies (continued)

Revenue recognition (continued)

Contract costs (continued)

- The costs that directly relates to a contract (or a specific anticipated contract) includes:
 - a) direct labour;
 - b) direct materials;
 - c) allocation costs that directly relate to the contract or to contract activities;
 - d) costs that are explicitly chargeable to the customer under the contract; and
 - e) other costs that are incurred only because the entity entered into the contract.

Contract assets and liabilities

When either party to a contract has performed, an entity shall present the contract in the consolidated statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment. A contract asset is an entity's right to consideration in exchange for services that the entity has transferred to a customer. A contract liability is an entity's obligation to transfer services to a customer for which the entity has received consideration (or an amount of consideration is due) from the customer.

Principal versus agent consideration

The Group has evaluated its arrangements to determine whether it is a principal, and report revenues on a gross basis, or an agent, and report revenues on a net basis. In this assessment, the Group has considered if it has obtained control of the specified services before they are transferred to the customer, as well as other indicators such as the party primarily responsible for fulfilment, inventory risk and discretion in establishing price. The Group has concluded that they are principal in all revenue arrangements.

Presentation and disclosure requirements

The Group disaggregated revenue recognized from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Refer to note (25) for the disclosure on disaggregated revenue.

Other income

Profit from Murabaha time deposits are recognized on accrual basis.

Other income is recognized when earned.

Costs and expenses

Costs which are directly related to services provided are classified as cost of revenue. Expenses which are attributable to marketing and promotional activities are classified as marketing expenses. All other indirect expenses are classified as general and administration expenses.

Zakat

The Group is subject to the Regulations of the General Authority of Zakat and Tax ("GAZT") in KSA. Zakat is provided on an accrual basis and is computed and charged based on zakat base. Adjustments if any are made to the zakat provision when the final assessments are obtained from the GAZT.

Cash and cash equivalents

Cash and bank balances comprise cash on hand and deposits held with banks, all of which are available for use by the Group unless otherwise stated and have maturities of three months or less, which are subject to insignificant risk of changes in values.

Murabaha time deposits

Murabaha time deposits represents deposits with local commercial banks having a maturity of more than three months from the date of acquisition and expected to be realized within one year from the date of the reporting period.

4 Significant accounting policies (continued)

4.1 Summary of significant account policies (continued)

Financial instruments

Recognition and initial measurement

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

A financial instrument is recognized in the consolidated statement of financial position when the Group becomes party to the contractual provisions of the financial instrument.

A financial instrument is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

Financial assets

Classification of financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost, fair value through other comprehensive income ('FVOCI') or FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- a. the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- b. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-to-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not a FVTPL, transaction costs that are directly attributable to its acquisition.

The Group has classified its investments in units of a mutual fund as FVTPL as these contractual cash flows are not limited to principal and interest only. The Group has not exercised irrevocable option to classify these at FVOCI as these fail the definition of equity instrument under IAS 32.

Subsequent measurement

Financial assets at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in consolidated statement of income.

Financial assets at amortized cost are subsequently measured at amortized cost using the effective interest rate ("EIR") method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognized in consolidated statement of income. Any gain or loss on derecognition is recognized in the consolidated statement of income.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the EIR method, foreign exchange gains and losses and impairment are recognized in the consolidated statement of income. Other net gains and losses are recognized in the consolidated statement of comprehensive income. On derecognition, gains and losses accumulated in OCI are reclassified to the consolidated statement of income.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in the consolidated statement of income unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in the consolidated statement of comprehensive income and are never reclassified to profit or loss.

4 Significant accounting policies (continued)

4.1 Summary of significant account policies (continued)

Financial instruments (continued)

Financial assets (continued)

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when: the rights to receive cash flows from the asset have expired or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Expected credit loss ("ECL") assessment for accounts receivables

The Group applies IFRS 9 simplified approach for measuring ECL, which uses a lifetime expected loss allowance. The method is applied for assessing an allowance against:

- financial assets measured at amortized cost; and
- contract assets

The expected loss rates are based on the payment profiles of receivables over a period of 12 months before each reported period and corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified Gross Domestic Product ("GDP") of KSA (the country in which it renders the services) to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The expected loss approach breaks the total loss amount modeling into following parts: probability of default ("PD"), loss given default ("LGD"), exposure at default ("EAD"). These are briefly described below:

- LGD: This is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD
- PD: the likelihood of a default over a particular time horizon
- EAD: This is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

ECL Model

The Group uses a point-in-time ("PIT") probability of default model to measure its impairment on financial assets. PIT PD models incorporate information from a current credit cycle and assess risk at a PIT. The PIT PD term structure can be used to measure credit deterioration and starting PD when performing the allowance calculations. Also, when calculating lifetime expected credit losses, after the inputs are correctly converted, you can project the cash flows and calculate the gross carrying amount, loss allowance, and amortized cost for the financial instrument.

4 Significant accounting policies (continued)

4.1 Summary of significant account policies (continued)

Financial instruments (continued)

Financial assets (continued)

Macroeconomic weighted average scenarios

The Group includes macroeconomic factor of GDP to develop scenarios with the realization of most likely outcome using worst- and best-case scenarios. The scenario-based analysis incorporates forward-looking information into the impairment estimation using multiple forward-looking macroeconomic scenarios. The estimate of expected credit losses reflects an unbiased probability-weighted amount that is determined by evaluating a range of possible outcomes.

After the inputs to the model are adjusted for above mentioned macroeconomic scenarios, PD of each scenario is calculated and then weighted average PD based on likelihood of scenarios is calculated. In the last step, a weighted average lifetime ECL based on the likelihood of the scenarios is determined.

The Group assesses its financial assets based on credit risk characteristics using segmentations such as geographical region, type of customer, customer rating, etc. The different segments reflect differences in PDs and in recovery rates in the event of default.

Definition of default

In the above context, the Group considers default when:

- the customer is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or the customer is more than 360 days past due on any material credit obligation to the Group.

The Group has rebutted the presumption that default does not occur later than when these financial assets are past due to define and assess default. This is demonstrated by past historical data where collections exceeding 70% were experienced in 360 days ageing bucket.

Specific provision

Specific provision is recognized on customer to customer basis at every respective reporting date. The Group recognizes specific provision against receivables from certain customers. Provisions are reversed only when the outstanding amounts are recovered from the customers.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Financial liabilities

Initial recognition and measurement

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Subsequent measurement

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the consolidated statement of income. Other financial liabilities are subsequently measured at amortized cost using the EIR method. Interest expense and foreign exchange gains and losses are recognized in the consolidated statement of income. Any gain or loss on derecognition is also recognized in the consolidated statement of income.

Derecognition

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

4 Significant accounting policies (continued)

4.1 Summary of significant account policies (continued)

Financial instruments (continued)

Offsetting

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

Purchased, available, used visas and recruitment costs

Purchased visas

Purchased visas represent the amounts paid to the government authorities against issuing manpower visas and are recorded at cost as available visa. Cost comprises all the purchase cost paid to the government authorities for securing the manpower visas.

Available, used visas and recruitment costs

Available visas represent the unused balance of visas from the government. As per Saudi Labour Law, the Group, upon its wish, may get a full refund of the cost paid to acquire the purchased visas. Available visas are classified under current assets.

Visas are transferred from 'available visas' to 'used visas' and are amortized in the consolidated statement of income on a straight-line basis over two years, in line with the employment contract period.

Recruitment costs represent the amount paid to recruitment agencies in connection with services obtained. These costs are amortised at the time of visa activation in the consolidated statement of income over two years in line with the employment contract period.

The amount of unamortized balance of used visas and recruitment costs are written off directly in the consolidated statement of income in case of termination of the contract or occurrence of anything that prevents the continuation of the service.

Used visas and recruitment costs are classified as current assets if they are expected to be used within one year from the date of the consolidated statement of financial position. Otherwise, these are presented as non-current assets.

Residential and work permits

Residential fees and work permits are amortized in the consolidated statement of income over one year in line with the validity of such permits.

Property and equipment

Property and equipment is stated at historical cost, net of accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Expenditures on repairs and maintenance are expensed to the consolidated statement of income in the period they are incurred. Betterments that increase the value or materially extend the life of the related assets are capitalized. Leaseholds improvements are amortized on a straight-line basis over the shorter of the useful life of the improvement and the term of the lease.

Capital work in progress ("CWIP") account are assets in the course of construction or development. CWIP is transferred to the appropriate category in property and equipment (depending on the nature of the asset), once the asset is in a location and/or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of capital work in progress comprises its purchase price, construction/development cost and any other directly attributable to the construction or acquisition of an item of CWIP intended by management. Costs associated with testing the items of CWIP (prior to its being available for use) are capitalized net of proceeds from the sale of any production during the testing period. Land and CWIP are not depreciated nor amortized.

4 Significant accounting policies (continued)

4.1 Summary of significant account policies (continued)

Property and equipment (continued)

Depreciation is calculated from the date the item of depreciable property and equipment is available for its intended use. It is calculated on a straight-line basis over the useful life of the asset as follows:

	Number of years
Office equipment	4 - 10
Buildings	20 - 40
Vehicles	4
Furniture and fixtures	10
Leasehold improvement	10 or lease term, whichever is shorter

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the consolidated statement of income.

Residual values, useful lives and methods of depreciation of property and equipment are reviewed on an annual basis, and adjusted prospectively, if appropriate, at each consolidated statement of financial position date.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the period when the asset is derecognized.

The carrying amounts of property and equipment is written-down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

Intangible assets

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

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of income under general and administration expenses.

Amortization is calculated from the date the when the intangible assets are available for its intended use. It is calculated on a straight-line basis over the useful life of the asset as follows:

	Number of years
Tadbeer licenses	10
Customer relationship	2

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

An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income.

4 Significant accounting policies (continued)

4.1 Summary of significant account policies (continued)

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the assets recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount. In assessing the value-in-use, the estimated future cash flows are discounted to their present value using a discount rate (pre-zakat) that reflects current market assessment of the time value of money and the risks specific to the asset.

The Group's impairment calculation is based on detailed budgets and forecast calculations which are prepared separately for each of the Group's CGU's to which the individual asset is allocated. These budgets and forecast calculations generally cover a five-year period. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the budget period.

Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

For assets other than above, an assessment is made at each financial year-end as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount.

A previously recognized impairment loss, except for goodwill, is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. This reversal is limited such that the recoverable amount doesn't exceed what the carrying amount would have been, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income.

Retained deposits

Retained deposits represent the amounts equivalent to two-month salary collected from customers as security deposits which the Group retain until the completion/termination of the manpower contracts. Upon termination of the manpower contract, or occurrence of anything that prevents the continuation of the service, the Group either refunds the balance or applies against the outstanding receivable from customers. Accordingly, these retained deposits are presented under current liabilities.

Employees' end-of-service benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating leaves, air fare and allowances that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled. The liabilities are presented under accounts payable, accruals and others in the consolidated statement of financial position.

End-of-services benefits obligation

The Group's primary defined benefit plan is an end of service lump sum benefits plan.

The benefit liability recognized in the consolidated statement of financial position is the present value of the Defined Benefit Obligation ("DBO") at the reporting date. The plan is unfunded, which means the Group pays benefits as they fall due when employees leave service.

The DBO is re-measured on a periodic basis by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. Where there is no deep market for high-quality corporate bonds, the market rates on government bonds are used. At 31 December 2020, the discount rate was set according to yields observed on KSA government bonds.

4 Significant accounting policies (continued)

4.1 Summary of significant account policies (continued)

Employees' end-of-service benefits (continued)

End-of-services benefits obligation (continued)

The DBO also depends on the assumptions for future salary increases and the rate at which employees and workers are expected to leave. The Group has assumed salaries will increase at a rate of 4%pa for employees and 0% for workers and home workers, in order to provide stability to the OCI account. Employee withdrawal rates are very high but can change quickly from year to year. The Group therefore reconsiders this assumption from year to year as new experience develops.

The net interest cost is calculated by applying the discount rate to the net balance of the DBO. This cost is included in employees' salaries and other benefits expense in the consolidated statement of income. Re-measurement gains and losses arising from changes in actuarial assumptions are recognized in the period in which they occur in OCI. Changes in the present value of the DBO resulting from plan amendments or curtailments are recognized immediately in the consolidated statement of income as past service costs.

Current and past service costs related to end-of-service benefits and unwinding of the liability at discount rates used are recognized immediately in the consolidated statement of income. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in OCI.

The actuarial valuation process takes into consideration the provisions of the Saudi labour and workmen law as well as the Group's policy.

Leases

Right-of-use assets

Right-of-use assets are initially measured at cost comprising 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; if applicable.

Lease liabilities

Lease liabilities include, if applicable, the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable, variable lease payment 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.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Low-value assets are items that do not meet the Group's capitalisation threshold and are considered to be insignificant for the consolidated statement of financial position for the Group as a whole. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with extension and termination options and estimating the incremental borrowing rate is disclosed in note 3.

Dividends

The Group recognizes a liability to make dividend distribution to the shareholders of the Parent Company when the distribution is authorized, and the distribution is no longer at the discretion of the Company. In accordance with the provisions of the Companies' Law and Company's By-laws, a distribution is authorized when it is approved by the shareholders. A corresponding amount is recognized directly in equity. Interim dividends are recorded as and when declared and approved by the Board of Directors.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognized for future operating losses.

4 Significant accounting policies (continued)

4.1 Summary of significant account policies (continued)

Provisions (continued)

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-zakat rate that reflects current market assessments of the time value of money and the risks specific to liability. The increase in the provision due to the passage of time is recognized as finance costs.

Segment reporting

An operating segment is a component of the Group:

- that engages in business activities from which it may earn revenues and incur expenses;
- results of its operations are continuously analysed by management in order to make decisions related to resource allocation and performance assessment; and
- for which discrete financial information is available.

The Group's operating business are organized and managed separately according to the nature of the services provided, with each segment representing a strategic business unit that offers different products to its respective market.

For management purpose, the Group is organised into two segments, based on supply of manpower, as described below:

- The Group supplies manpower to corporates forming part of the revenue from its corporate segment.
- Similarly, the Group supplies manpower to individuals based on their needs (i.e. nurses, maids etc.) which forms part of the revenue from individual segment.

A geographical segment is a group of assets, operations or entities engaged in revenue producing activities within a particular economic environment that are subject to risks and returns different from those operating in other economic environments. The Group's operations are conducted in KSA and UAE.

5. Standards issued but not yet effective and new and amended standards and interpretations

Standards issued but not yet effective

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

<i>New and amended standards and interpretations</i>	<i>Effective for annual periods</i>
Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	1 January 2021
Reference to the Conceptual Framework – <i>Amendments to IFRS 3</i>	1 January 2022
Reference to the Conceptual Framework – Amendments to IFRS 3	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16	1 January 2022
Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	1 January 2022
IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter	1 January 2022
IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities	1 January 2022
IAS 41 Agriculture – Taxation in fair value measurements	1 January 2022
IFRS 17 Insurance Contracts	1 January 2023
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1 January 2023

5. Standards issued but not yet effective and new and amended standards and interpretations (continued)

Standards issued but not yet effective (continued)

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable. The adoption of these new standards, interpretations and amendments are not expected to have any material impact on the consolidated financial statements of the Group in the period of initial application.

New and amended standards and interpretations

The Group assessed that the following standards and amendments, which are effective for annual periods beginning on or after 1 January 2020, has no impact on this consolidated financial statement. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- Amendments to *IFRS 3*: Definition of a Business
- Amendments to *IFRS 7*, *IFRS 9* and *IAS 39* Interest Rate Benchmark Reform
- Amendments to *IAS 1* and *IAS 8* Definition of Material
- Conceptual Framework for Financial Reporting issued on 29 March 2018
- Amendments to *IFRS 16*, Covid-19 Related Rent Concessions

6 Cash and cash equivalents

	31 December 2020	31 December 2019
	SR	SR
Cash at banks	57,143,219	131,423,976
Cash in hand	766,422	280,399
Short-term Murabaha deposits with original maturities of three-months or less	-	57,000,000
Total	57,909,641	188,704,375

7 Murabaha time deposits

Murabaha time deposits represent deposits with local commercial banks having a maturity of more than three months from date of acquisition and expected to be realized within one year from the reporting date. The variable commission rates on the murabaha time deposits as at 31 December 2020 and 31 December 2019 are based on prevailing commercial market rates. Average commission rates during the year ended 31 December 2020 on these investments is 1.3% (31 December 2019: 2.8%).

8 Accounts receivable

	31 December 2020	31 December 2019
	SR	SR
Accounts receivable	229,991,119	270,871,159
Amounts due from related parties (note 12)	25,875,608	22,750,826
	255,866,727	293,621,985
Less: provision for doubtful debts	(70,770,668)	(62,982,354)
Total	185,096,059	230,639,631

Trade receivables comprise of interest free net receivables due from customers with no credit rating. Unimpaired trade receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and vast majority are, therefore, unsecured.

Movements in the provision for doubtful debts were as follows:

	2020	2019
	SR	SR
At the beginning of the year	62,982,354	44,556,080
Charge for the year	7,829,544	23,015,373
Written-off	(41,230)	(4,589,099)
At the end of the year	70,770,668	62,982,354

8 Accounts receivable (continued)

The ageing of unimpaired accounts receivable was as follows:

	Total SR	Neither past due nor impaired SR	Past due but not impaired			
			< 90 days SR	90 – 180 days SR	180-360 days SR	> 360 days SR
31 December 2020	185,096,059	63,040,909	59,621,419	26,636,275	11,862,497	23,934,959
31 December 2019	230,639,631	78,481,147	67,923,120	30,143,042	13,060,135	41,032,187

9 Contract assets and liabilities

Contract assets

Contract assets primarily related to the Group's right to consideration for services delivered but not billed at the reporting date. Contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

	31 December 2020 SR	31 December 2019 SR
Contract assets	59,914,658	31,134,349
Less: provision for doubtful debts	(2,309,821)	(121,677)
Total	57,604,837	31,012,672

Movement in the provision for doubtful contract assets is shown below:

	2020 SR	2019 SR
At the beginning of the year	121,677	1,748,511
Charge/(reversal) for the year	2,188,144	(1,626,834)
At the end of the year	2,309,821	121,677

Contract liabilities

The contract liabilities primarily relate to the advance consideration received from customers and unearned revenues, for which revenue is recognized on satisfaction of performance obligations.

10 Prepayments and other assets

	31 December 2020 SR	31 December 2019 SR
Residence fees and work permits	125,629,050	147,076,805
Recruitment costs (a)	17,647,277	22,778,750
Advances to suppliers	12,965,824	16,184,924
Cash margin on letters of guarantee	7,917,898	12,381,991
Used visas (a)	6,501,453	7,923,266
Prepaid rent	4,267,553	5,594,106
Other prepayments	4,969,988	7,890,408
	179,899,043	219,830,250

(a) Recruitment costs and used visas are presented as current and non-current assets as shown below:

	31 December 2020 SR	31 December 2019 SR
Recruitment costs	18,604,853	38,715,825
Used visas	6,891,193	13,514,193
	25,496,046	52,230,018
Less: Current portion of recruitment costs	17,647,277	22,778,750
Less: Current portion of used visas	6,501,453	7,923,266
Non-current portion of recruitment costs and used visas	1,347,316	21,528,002

10 Prepayments and other assets (continued)

The movement in recruitment costs during the year was as follows:

	2020	2019
	SR	SR
At the beginning of the year	38,715,825	-
Additions during the year	12,199,351	74,548,272
Amortization during the year	(32,310,323)	(35,832,447)
At the end of the year	18,604,853	38,715,825

The movement in used visas during the year was as follows:

	2020	2019
	SR	SR
At the beginning of the year	13,514,193	-
Transferred from available visas (note 11)	5,226,000	31,725,750
Directly expensed out during the year	-	(14,570,150)
Amortization during the year	(11,849,000)	(3,641,407)
At the end of the year	6,891,193	13,514,193

11 Available visas

Available visas represent the balance of unused visas as of the reporting date. Amounts of available visas are transferred to used visas when visas are issued to the recruited manpower. The movement in available visas is shown below:

	2020	2019
	SR	SR
At the beginning of the year	29,558,000	29,394,000
Purchased visas during the year	4,178,000	31,889,750
Transferred to used visas (note 10)	(5,226,000)	(31,725,750)
At the end of the year	28,510,000	29,558,000

12 Related party transactions and balances

Related parties comprise of shareholders, key management personnel, directors and entities which are controlled directly or indirectly or influenced by these parties. In the normal course of business, the Group has various transactions with its related parties. Transactions are entered into with the related parties on terms and conditions approved by either the Group's management or its Board of Directors ("BOD") in the ordinary course of business.

12.1 Key management personnel compensation

The remuneration of directors and other key management personnel for the year are as follow:

	2020	2019
	SR	SR
Salaries and short-term benefits	13,165,680	13,334,765
End-of-service benefits	814,453	756,705
Total key management compensation	13,980,133	14,091,470

12.2 Terms and conditions of transactions with related parties

Outstanding balances at the consolidated statement of financial position date are unsecured, interest free and settlement occurs in cash

12 Related party transactions and balances (continued)

12.3 Related party transactions and balances

During the year, the Group transacted with its related parties. The transactions and balances for the year are as follows:

Related party	Relationship	Nature of transactions	Transactions		Balances	
			2020 SR	2019 SR	31 December 2020 SR	31 December 2019 SR
<u>Amounts due from related parties (note 8)</u>						
Spectra Support Services	Affiliate	Manpower services Collections	94,108,065 89,288,033	61,521,310 51,493,359	24,936,220	20,116,188
Maharah Holding Company	Affiliate	Collections	-	4,080,150	-	-
Al Safi Danone Co. Ltd.	Affiliate	Manpower services Collections	- -	7,779,524 7,416,530	-	1,010,210
Others	Affiliate	Manpower services Collections	3,276,458 3,129,917	11,528,357 11,051,122	939,388 25,875,608	1,624,428 22,750,826
<u>Amounts due to related parties (note 19)</u>						
Bloovo Ltd.	Associate	Payments related to deferred consideration	7,501,097	5,629,503	-	7,501,097
Maharah Travel and Tourism Company	Affiliate	Purchase of air tickets Payments	5,870,275 6,129,476	18,391,973 19,162,194	- -	259,201 7,760,298
Directors (*)	BOD	Remuneration (note 27) Payments	3,356,112 2,623,000	2,580,000 2,400,001	2,928,055	2,194,943

(*) Amounts due from / to related parties are included in "accounts receivable" and "accounts payable, accruals and others", respectively.

Maharah for Human Resources Company and its Subsidiaries
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Notes to the Consolidated Financial Statements (continued)
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13 Property and equipment

<u>31 December 2020</u>	Land SR	Buildings SR	Leasehold improvement SR	Furniture and fixtures SR	Office equipment SR	Vehicles SR	Capital work in progress (*) SR	Total SR
<u>Cost</u>								
At the beginning of the year	63,187,014	65,435,172	17,183,442	7,699,677	20,437,131	25,703,408	17,562,047	217,207,891
Additions	-	1,380,736	676,817	257,923	2,273,315	998,038	2,168,828	7,755,657
Relating to disposals	-	-	-	(240,917)	(394,707)	(110,374)	-	(745,998)
Transfers	-	-	2,740,229	70,269	635,804	-	(3,446,302)	-
At the end of the year	63,187,014	66,815,908	20,600,488	7,786,952	22,951,543	26,591,072	16,284,573	224,217,550
<u>Accumulated depreciation</u>								
At the beginning of the year	-	3,965,598	9,551,939	2,817,746	10,559,263	11,589,576	-	38,484,122
Charge for the year	-	1,704,038	1,749,724	748,066	2,988,262	6,233,597	-	13,423,687
Relating to disposals	-	-	-	(217,015)	(394,128)	(110,374)	-	(721,517)
At the end of the year	-	5,669,636	11,301,663	3,348,797	13,153,397	17,712,799	-	51,186,292
<u>Net book value</u>								
31 December 2020	63,187,014	61,146,272	9,298,825	4,438,155	9,798,146	8,878,273	16,284,573	173,031,258
31 December 2019	63,187,014	61,469,574	7,631,503	4,881,931	9,877,868	14,113,832	17,562,047	178,723,769

(*) Pertains to expenditures relating to the construction and development of the Group's additional office.

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13 Property and equipment (continued)

<u>31 December 2019</u>	Land SR	Buildings SR	Leasehold improvement SR	Furniture and fixtures SR	Office equipment SR	Vehicles SR	Capital work in progress (*) SR	Total SR
<u>Cost</u>								
At the beginning of the year	63,187,014	55,361,142	17,183,442	5,658,853	17,337,342	17,309,961	17,000,286	193,038,040
Additions	-	10,074,030	-	2,040,824	3,087,499	8,393,447	574,051	24,169,851
Transfers	-	-	-	-	12,290	-	(12,290)	-
At the end of the year	63,187,014	65,435,172	17,183,442	7,699,677	20,437,131	25,703,408	17,562,047	217,207,891
<u>Accumulated depreciation</u>								
At the beginning of the year	-	3,092,085	8,019,412	2,282,276	7,820,984	6,761,266	-	27,976,023
Charge for the year	-	873,513	1,532,527	535,470	2,738,279	4,828,310	-	10,508,099
At the end of the year	-	3,965,598	9,551,939	2,817,746	10,559,263	11,589,576	-	38,484,122
<u>Net book value</u>								
31 December 2019	63,187,014	61,469,574	7,631,503	4,881,931	9,877,868	14,113,832	17,562,047	178,723,769

(*) Pertains to expenditures relating to the construction and development of the Group's additional office.

Depreciation charge for the year has been allocated as follows:

	2020 SR	2019 SR
Cost of revenue (note 26)	7,789,637	4,918,580
General and administration expenses (note 27)	5,614,397	5,578,650
Marketing expenses (note 28)	19,653	10,869
	13,423,687	10,508,099

14 Intangible assets - Goodwill

Carrying amount of goodwill are as follows:

	31 December 2020	31 December 2019
	SR	SR
TPH	3,001,536	3,001,536
MPL	1,175,521	1,175,521
TPHC	273,180	273,180
	4,450,237	4,450,237

Effective 1 January 2018, the Subsidiary acquired a 70% ownership of TPH. The total consideration amounted to SR 10.2 million. The acquisition was accounted for using the purchase method of accounting. Fair value of net assets acquired amounted to SR 7.2 million which resulted to a goodwill of SR 3 million. TPH is licensed in providing building cleaning services and residential property core services.

On 1 January 2018, TPH acquired 100% shares of MPL for a total consideration of SR 1.5 million. Fair value of net assets acquired amounted to SR 305,074 which resulted to a goodwill of SR1.2 million. MPL is licensed in providing building maintenance services.

On 1 January 2018, TPH acquired 100% shares of TPHC for a total consideration amounting to SR 1.2 million. Fair value of net assets acquired amounted to SR 952,140 which resulted to a goodwill of SR 273,180. TPHC is licensed in providing building cleaning services and public health pests control services.

Goodwill impairment test

Goodwill is tested annually for impairment by management. For the year ended 31 December 2020 and 2019, the management has determined that goodwill carrying amounts are less than their recoverable amounts. Recoverable amounts were determined on the basis of value-in-use calculations. These calculations use cash flow projections for five years based on financial budgets approved by management. Cash flows beyond the budgets are extrapolated using the estimated growth rate for each company. In management's opinion, the growth rate assumptions do not exceed the long-term average growth rates for the business in which the companies operate. Key assumptions for the value-in-use calculation are set out below:

	%
Discount rate	13.5-14.5
Average annual growth rate for sale	4.3
Terminal growth rate	2.1

The discount rates used are pre-zakat and reflect specific risks relating to the subsidiaries. Management has determined the budgeted gross margins based on past performance and its expectations for the market development.

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use for the subsidiaries, any adverse changes in a key assumption would result in an impairment loss. The key assumptions, where reasonably possible changes could result in impairment, are the terminal growth rates and the discount rates used.

15 Other intangible assets

	31 December 2020	31 December 2019
	SR	SR
Tadbeer licenses	2,578,329	2,938,029
Customer relationship	-	230,234
Other intangible assets	75,805	16,705
	2,654,134	3,184,968

15 Other intangible assets (continued)

31 December 2020	Tadbeer licenses SR	Customer relationship SR	Other intangible SR	Total SR
<u>Cost</u>				
At the beginning of the year	3,672,537	3,268,266	724,212	7,665,015
Additions	-	-	63,170	63,170
At the end of the year	3,672,537	3,268,266	787,382	7,728,185
<u>Accumulated amortization</u>				
At the beginning of the year	734,508	3,038,032	707,507	4,480,047
Charge for the year (note 27)	359,700	230,234	4,070	594,004
At the end of the year	1,094,208	3,268,266	711,577	5,074,051
Net book value	2,578,329	-	75,805	2,654,134
<u>31 December 2019</u>				
<u>Cost</u>				
At the beginning of the year	3,672,537	3,268,266	704,766	7,645,569
Additions	-	-	19,446	19,446
At the end of the year	3,672,537	3,268,266	724,212	7,665,015
<u>Accumulated amortization</u>				
At the beginning of the year	367,254	1,536,267	569,911	2,473,432
Charge for the year (note 27)	367,254	1,501,765	137,596	2,006,615
At the end of the year	734,508	3,038,032	707,507	4,480,047
Net book value	2,938,029	230,234	16,705	3,184,968

Tadbeer licenses and customer relationships are intangible assets acquired through business combinations. The Tadbeer licenses have been granted by the Ministry of Human Resources and Emiratization of UAE to provide specific services related to domestic worker recruitment and welfare while customer relationships relate to TPH's current customers consist predominantly of residential cleaning clients across UAE.

16 Equity investments at FVTPL

	31 December 2020 SR	31 December 2019 SR
Equity investments at FVTPL	33,428,757	32,885,619

Equity investments at FVTPL include financial assets that are invested in units of a mutual fund, namely "Al Rajhi Commodity SAR Fund" (206,988.44 units for SR 144.94 each) purchased for SR 30 million. The Group considers its investments to be strategic in nature (note 33).

The movement in FVTPL investments for the year was as follows:

	2020 SR	2019 SR
<u>Cost</u>		
At the beginning and end of the year	30,000,000	30,000,000
<u>Revaluation adjustments</u>		
At the beginning of the year	2,885,619	1,991,284
Net gain during the year	543,138	894,335
At the end of the year	3,428,757	2,885,619
Net book value	33,428,757	32,885,619

17 Investment in an associate

Effective 19 November 2018, the Group acquired 40% share capital of Bloovo Ltd. (the "Associate") for a total consideration of SR 18.75 million. The Associate is engaged in providing online recruitment and advisory services.

The Company has significant influence over the relevant policy-making processes, including participation in decisions about dividends distributions of the Associate.

The movement of the investment during the year is as follow:

	Percentage of ownership	Opening balance SR	Share in net loss SR	Ending balance SR
2020	40%	16,330,373	(323,595)	16,006,778
2019	40%	18,639,605	(2,309,232)	16,330,373
Purchase consideration				<u>SR</u>
Cash paid				5,628,000
Deferred consideration				13,130,600
Exchange difference				529
Total consideration				<u>18,759,129</u>

Deferred consideration

As part of the purchase agreement, the consideration amounting to SR 13.1 million shall be paid by the Company within 18 months from the effective date of acquisition and is subject to conditions on whether the Associate will be able to meet the business plan agreed by both parties which include cash flow forecasts (the "Conditions"). In the event that the Associate fails to meet the Conditions after 18 months from the effective date agreed by both parties, the deferred consideration will not be paid but shareholding of the Company in the Associate will reduce to the extent of cash paid at the acquisition date including share in net losses or earnings from the Associate for the period of shareholding.

The Company already paid the entire balance of the deferred consideration during 2020. As at 31 December 2019, the fair value of the deferred consideration was estimated to be SR 7.5 million.

The tables below provide summarized financial information for the Associate. The information disclosed reflects the amounts presented in the financial statements of the Associate and not the Group's share of those amounts as of the end of their reporting period.

Summarized statement of financial position:

	31 December 2020 SR	31 December 2019 SR
Total current assets	10,241,493	12,139,924
Total non-current assets	3,922,173	1,922,163
Total current liabilities	(1,098,950)	(702,005)
Total non-current liabilities	(213,955)	(89,998)
Net assets	12,850,761	13,270,084

Statement of comprehensive income:

	2020 SR	2019 SR
Revenue	6,612,096	1,925,256
Direct costs	(515,882)	(764,000)
Gross profit	6,096,214	1,161,256
Selling and distribution expenses	(994,315)	(2,291,273)
General and administration expenses	(5,910,888)	(4,643,063)
Net loss for the year	(808,989)	(5,773,080)

The Associate had no contingent liabilities or capital commitments as at 31 December 2020 and 2019.

18 Right-of-use assets and lease liabilities

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group leases vehicles, staff accommodation and offices. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

At 31 December 2020 and 2019, the Group did not have any lease contracts classified as right-of-use asset that are variable in nature. Some leases contains extension options exercisable by the Group before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group. The Group assesses at lease commencement whether it is reasonably certain to exercise the option. The Group does not provide residual value guarantees in relation to any of its leases.

Right-of-use assets are amortized on a straight-line basis over the lease term as shown below:

	Lease terms
Vehicles	3 to 6 years
Staff accommodation	2 to 6 years
Offices	2 to 9 years

Movement of right-of-use assets per class is shown below:

	Vehicles SR	Staff accommodation SR	Offices SR	Total SR
Cost:				
As at 1 January 2020	11,311,043	13,506,414	19,755,693	44,573,150
Additions	200,038	1,353,843	2,529,815	4,083,696
Related to cancellations	-	(3,763,596)	(3,143,265)	(6,906,861)
As at 31 December 2020	11,511,081	11,096,661	19,142,243	41,749,985
Accumulated depreciation:				
As at 1 January 2020	2,129,393	2,469,566	3,711,903	8,310,862
Charge for the year	2,127,629	3,194,234	4,443,531	9,765,394
Related to cancellations	-	(1,209,793)	(1,187,916)	(2,397,709)
As at 31 December 2020	4,257,022	4,454,007	6,967,518	15,678,547
Net book value:				
As at 31 December 2020	7,254,059	6,642,654	12,174,725	26,071,438
As at 31 December 2019	9,181,650	11,036,848	16,043,790	36,262,288
Cost:				
As at 1 January 2019	8,594,875	10,455,790	15,937,524	34,988,189
Additions	2,716,168	3,050,624	3,818,169	9,584,961
As at 31 December 2019	11,311,043	13,506,414	19,755,693	44,573,150
Accumulated depreciation:				
As at 1 January 2019	-	-	-	-
Charge for the year	2,129,393	2,469,566	3,711,903	8,310,862
As at 31 December 2019	2,129,393	2,469,566	3,711,903	8,310,862
Net book value:				
As at 31 December 2019	9,181,650	11,036,848	16,043,790	36,262,288

18 Right-of-use assets and lease liabilities (continued)

Set out below, are the carrying amounts of the Group's lease liabilities and the movements during the year ended 31 December 2020 and 2019:

	2020	2019
	SR	SR
At the beginning of the year	35,368,720	33,341,146
Additions	4,071,188	9,584,961
Related to cancellations	(4,450,388)	-
Finance costs	1,017,816	1,038,781
Payments	(9,947,302)	(8,596,168)
At the end of the year	26,060,034	35,368,720
	31 December 2020	31 December 2019
	SR	SR
Current portion of lease liabilities (note 19)	8,701,633	7,392,341
Non-current portion of lease liabilities	17,358,401	27,976,379
	26,060,034	35,368,720

19 Accounts payable, accruals and others

	31 December 2020	31 December 2019
	SR	SR
Accrued tickets and vacations	114,543,087	99,510,575
Accrued salaries and other employee costs	28,834,288	45,643,882
Accrued bonus and incentives	14,911,405	12,199,433
Value Added Tax ("VAT"), net	11,854,737	6,922,558
Accounts payable	11,143,755	11,756,732
Current portion of lease liabilities (note 18)	8,701,633	7,392,341
Provision for operational risk (note 33)	1,585,477	1,768,519
Amounts due to related parties (note 12)	-	7,760,298
Others	5,739,991	2,458,409
	197,314,373	195,412,747

20 Zakat

Charge for the year

Zakat charge for the year consists of the following:

	2020	2019
	SR	SR
Provision for the year	10,909,941	18,073,250
Adjustment for prior years	-	7,511,492
	10,909,941	25,584,742

The zakat provision is based on the following:

	31 December 2020	31 December 2019
	SR	SR
Shareholders' equity, beginning balance	590,565,552	430,512,984
Income before zakat	189,813,449	292,515,425
Opening provisions and adjustments	(168,039,593)	214,982,906
Non-current liabilities	81,048,150	79,054,053
Non-current assets	(256,989,918)	(293,365,256)

Some of these amounts as reported above have been adjusted in arriving at the zakat charge for the year.

20 Zakat (continued)

Movements in zakat provision during the year

The movement in the provision for zakat for the year is as follows:

	2020	2019
	SR	SR
Balance at beginning of the year	26,670,770	12,073,729
Charge for the year	10,909,941	25,584,742
Paid during the year	(21,103,988)	(10,987,701)
Balance at end of the year	16,476,723	26,670,770

Status of assessments

On 9 May 2019, the Company received zakat assessments from the General Authority of Zakat and Tax (the "GAZT") for the years 2014 to 2017 with additional zakat liability of approximately SR 25 million and made an appeal during the year. Also, during 2019, the Company received the final assessment amounting to SR 7.5 million and settled the same amount during 2020. The zakat returns for 2018 and 2019 are still under review by GAZT.

21 Employees' end-of-service benefits

	31 December 2020	31 December 2019
	SR	SR
Defined benefits obligation ("DBO")	63,689,749	51,077,674

The Group grants end-of-service benefits (benefit plan) to its employees taking into consideration the local labor law requirements in KSA. The benefit provided by this benefit plan is a lump sum based on the employees' final salaries and allowance and their cumulative years of service at the date of the termination of employment.

The benefit liability recognized in the consolidated statement of financial position in respect of defined benefit end-of-service plan is the present value of the DBO at the reporting date.

The DBO is calculated periodically by qualified actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using yields on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Re-measurement amounts of actuarial gains and losses on the DBO, if any, are recognized and reported within re-measurements of employees' end-of-service benefits under the consolidated statement of comprehensive income and cumulative actuarial gains or losses in the consolidated statement of changes in equity.

The following table represents the movement in the DBO for the year:

	2020	2019
	SR	SR
Opening balance	51,077,674	35,253,000
Current service cost	20,394,647	17,392,399
Interest cost	870,000	863,000
Amount recognized in the consolidated statement of income	21,264,647	18,255,399
Financial assumptions	1,696,000	1,352,000
Demographic assumptions	-	(2,238,000)
Experienced adjustments	2,756,000	12,793,000
Amount recognized in the consolidated statement of comprehensive income (note 23)	4,452,000	11,907,000
Benefits paid during the year	(13,104,572)	(14,337,725)
Closing balance	63,689,749	51,077,674

21 Employees' end-of-service benefits (continued)

Significant actuarial assumptions

The significant actuarial assumptions used in the DBO computation:

	31 December 2020	31 December 2019
Gross discount rate	2.00%	2.20%
Salary growth rate	Employee 4.00% Workers 0% Home workers 0%	Employee 5.00% Workers 0% Home workers 0%
Withdrawal rate	40%	40%
% withdrawing before completion of contract	Employee 20% Workers 40%	Employee 20% Workers 40%
Retirement age	55-60	55-60

Sensitivity analysis

The results are sensitive to the assumptions used, in particular the withdrawal assumption due the short duration of the plan's liabilities. The table below shows the change in DBO based on increases or decreases in the base assumption value as of 31 December 2020 and 2019:

			Impact on defined benefit obligation	
	Change in assumption	Base value SR	Increase in assumption SR	Decrease in assumption SR
31 December 2020				
Discount rate	0.25%	63,689,749	63,421,249	64,139,749
Salary growth rate	0.25%	63,689,749	64,139,749	63,737,749
Withdrawal rate	30% or 50%	63,689,749	65,866,999	64,859,000
31 December 2019				
Discount rate	0.25%	51,077,674	48,632,326	51,353,674
Salary growth rate	1%	51,077,674	51,353,674	48,858,326
Withdrawal rate	30% or 50%	51,077,674	46,933,326	53,829,674

The average duration of the DBO at the end of the reporting period is 2.3 years (31 December 2019: 2.2 years).

The following are the expected undiscounted payments in future years:

	2020 SR	2019 SR
Within the next 12 months	25,299,000	20,861,237
Between 2 and 3 years	38,390,749	30,216,437
	63,689,749	51,077,674

22 Share capital

Authorized and issued share capital is divided into 37.5 million shares (31 December 2019: 37.5 million shares) of SR 10 each.

The following are the major shareholders of the Group as of 31 December 2020 and 2019:

Name	Place of incorporation/residence	Ownership %	
		31 December 2020	31 December 2019
Alahlia International Real Estate Investment Company	KSA	19.4%	19.4%
Dr Abdullah Bin Sulaiman Alamro	KSA	12.2%	12.2%
Architectural Experience Company	KSA	11.1%	16.0%
Al Faisaliah Group Holding Company (*)	KSA	-	14.0%
Dr Sulaiman Alhabib Trading Commercial Investment Company (*)	KSA	-	7.0%
Other	KSA	57.3%	31.4%

On 18 June 2019, the shareholders of the Company sold 30% of the shares through an Initial Public Offering ("IPO") and upon successful listing process, the said shares are part of trading in Saudi Stock Exchange "Tadawul".

(*) During the year end 31 December 2020, these major shareholders sold their entire shares.

23 Reserves

Statutory reserves

In accordance with the Companies Law and the Company's By-Laws, the Company must transfer 10% of its income for the year to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 30% of the capital. Accordingly, the Company transferred 10% of its income during the year. The reserve is not available for distribution.

Other reserves

Movement in other reserves is shown below:

	Cumulative currency translation reserve SR	Cumulative actuarial losses SR	Total SR
2020			
At the beginning of the year	(2,161)	(4,992,000)	(4,994,161)
Changes during the year due to:			
Re-measurements of employees' end-of-service benefits (note 21)	-	(4,452,000)	(4,452,000)
At the end of the year	(2,161)	(9,444,000)	(9,446,161)
	Cumulative currency translation reserve SR	Cumulative actuarial gains (losses) SR	Total SR
2019			
At the beginning of the year	(336)	6,915,000	6,914,664
Changes during the year due to:			
Cumulative currency translation losses	(1,825)	-	(1,825)
Re-measurements of employees' end-of-service benefits (note 21)	-	(11,907,000)	(11,907,000)
At the end of the year	(2,161)	(4,992,000)	(4,994,161)

24 Dividends

The Company's Board of Directors, in their meeting held on 22 Muharram 1442H (corresponding to 10 September 2020), resolved to declare interim dividends for the first half of 2020 amounting to SR 84.3 million (SR 2.25 per share) which was paid on 5 Safar 1442H (corresponding to 22 September 2020). The Board of Directors will present it to the shareholders in the upcoming Annual General Meeting.

The Company's Board of Directors, in their meeting held on 22 Sha'aban 1441H (corresponding to 17 March 2020), resolved to declare interim dividends for the second half of 2019 amounting to SR 120 million (SR 3.20 per share) which was paid on 8 Sha'aban 1441H (corresponding to 1 April 2020). The Board of Directors presented it to the shareholders in their Annual General meeting held on 13 Ramadan 1441H (corresponding to 6 May 2020).

The Company's Board of Directors, in their meeting held on 16 Muharram 1441H (corresponding to 15 September 2019), resolved to declare interim dividends for the last quarter of 2018 and first half of 2019 amounting to SR 100.1 million (SR 2.67 per share) which was paid on 17 Safar 1441H (corresponding to 16 October 2019). The Board of Directors presented it to the shareholders in their Annual General meeting held on 13 Ramadan 1441H (corresponding to 6 May 2020).

25 Revenue

Disaggregation of revenue

In the following table, revenue is disaggregated by type of sector, customer and contracts, and also duration of contracts (timing of revenue). Recognition and revenue between group companies are eliminated on consolidation.

	2020	2019
	SR	SR
Type of sector		
Individuals	381,706,493	419,827,362
Industrial and operations	355,757,857	391,809,100
Retail	249,266,984	256,714,549
Hospitality	180,766,116	194,231,316
Healthcare	162,889,588	163,293,651
Commercial	85,968,138	86,422,549
	1,416,355,176	1,512,298,527
	2020	2019
	SR	SR
Type of customer		
Corporate - private	1,030,509,296	1,086,977,852
Individuals	381,706,493	419,827,362
Corporate - governmental & semi-government	4,139,387	5,493,313
	1,416,355,176	1,512,298,527
	2020	2019
	SR	SR
Type of contracts		
Corporate	1,034,648,683	1,092,471,165
Retail	319,786,240	320,574,980
Hourly "Khidma"	61,920,253	99,252,382
	1,416,355,176	1,512,298,527
	2020	2019
	SR	SR
Duration of contracts		
More than one year	1,034,648,683	1,092,471,165
One year and less	381,706,493	419,827,362
	1,416,355,176	1,512,298,527

The Group has a policy of recognizing revenue over time hence all the revenue is recognized over the term of the contract as services are rendered.

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26 Cost of revenue

	2020 SR	2019 SR
Employee costs	739,779,873	780,520,867
Resident fee and work permits	229,581,222	186,677,087
Leave salaries and tickets	54,253,937	46,124,348
Recruitment and visa costs	44,990,902	54,044,001
Depreciation (note 13)	7,789,637	4,918,580
Other employee related costs	36,178,350	32,612,951
Others	37,953,575	27,594,113
Total	1,150,527,496	1,132,491,947

27 General and administration expenses

	2020 SR	2019 SR
Employee costs	36,773,168	42,961,703
Depreciation (note 13)	5,614,397	5,578,650
Professional fees	5,352,132	1,625,389
Utilities and subscription	3,438,897	4,641,378
BOD remuneration (note 12)	3,356,112	2,580,000
Rent	1,186,586	1,243,384
Repairs and maintenance	634,984	605,919
Amortization (note 15)	594,004	2,006,615
Travel	121,296	2,639,433
Bank charges	76,999	1,218,751
Others	3,657,543	2,042,830
Total	60,806,118	67,144,052

28 Marketing expenses

	2020 SR	2019 SR
Advertisements	8,272,690	6,083,625
Marketing commission	3,683,032	2,640,263
Depreciation (note 13)	19,653	10,869
Total	11,975,375	8,734,757

29 Other income, net

	2020 SR	2019 SR
Earnings from Murabaha time deposits	2,254,143	6,234,402
Reversal of accrued salaries no longer payable	1,463,248	6,206,996
Miscellaneous	2,848,016	(1,050,308)
Total	6,565,407	11,391,090

30 Earnings per share

Basic earnings per share attributable to the shareholders of the Parent Company is calculated based on the weighted average number of outstanding shares during the year.

Diluted earnings per share is calculated by adjusting the basic earnings per share for the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

	2020 SR	2019 SR
Net income attributable to Shareholders of the Parent Company	177,317,858	272,086,393
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share (note 22)	37,500,000	37,500,000
Basic and diluted earnings per share of net income attributable to Shareholders of the Parent Company	4.73	7.26

There has been no item of dilution affecting the weighted average number of ordinary shares.

31 Segment information

An operating segment is a component of the Group:

- that engages in business activities from which it may earn revenues and incur expenses;
- results of its operations are continuously analysed by management in order to make decisions related to resource allocation and performance assessment; and
- for which discrete financial information is available.

The accounting policies used by the Group in reporting segments internally are the same as those contained in note (4) of these consolidated financial statements.

The Group is organized into the following main business segments:

Corporate: This segment pertains to services provided to corporate entities that have contract terms for two years.

Individual: This segment pertains to services provided, ranging from worker rentals to khidma services, for individual customers that contract term ranges from an hour to one year.

Segment reporting is consistent in all periods presented as there are no changes in the structure of the Group's internal organization that will cause the composition of its reportable segment to change.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

The Group has no significant customer which contributes 10.0% or more to the revenues of the Group.

The Group is organised into the following main business segments:

	2020		
	Corporate SR	Individual SR	Total SR
Revenue	1,034,648,683	381,706,493	1,416,355,176
Cost of revenue	(859,763,595)	(290,763,901)	(1,150,527,496)
Gross profit	174,885,088	90,942,592	265,827,680
General and administration expenses	(40,196,647)	(20,609,471)	(60,806,118)
Marketing expenses	(7,868,383)	(4,106,992)	(11,975,375)
Provision for doubtful debts	(9,958,941)	(58,747)	(10,017,688)
Income from main operations	116,861,117	66,167,382	183,028,499
2019			
	Corporate SR	Individual SR	Total SR
Revenue	1,092,471,165	419,827,362	1,512,298,527
Cost of revenue	(842,961,690)	(289,530,257)	(1,132,491,947)
Gross profit	249,509,475	130,297,105	379,806,580
General and administration expenses	(41,222,470)	(25,921,582)	(67,144,052)
Marketing expenses	(5,765,720)	(2,969,037)	(8,734,757)
Provision for doubtful debts	(13,990,424)	(7,398,115)	(21,388,539)
Income from main operations	188,530,861	94,008,371	282,539,232

It is impracticable and also not informative to disclose information pertaining to net book value of property and equipment, total assets and total liabilities pertaining to business segments.

31 Segment information (continued)

The primary markets for the Group's products are KSA and UAE. Following is the geographical segment analysis of the Group:

	KSA SR	UAE SR	Total SR
<u>For the year ended 31 December 2020</u>			
Revenue	1,385,676,491	30,678,685	1,416,355,176
Cost of revenue	(1,130,840,030)	(19,687,466)	(1,150,527,496)
Gross profit	254,836,461	10,991,219	265,827,680
General and administration expenses	(53,834,263)	(6,971,855)	(60,806,118)
Marketing expenses	(10,537,908)	(1,437,467)	(11,975,375)
Provision for doubtful debts	(9,958,941)	(58,747)	(10,017,688)
Income from main operations	180,505,349	2,523,150	183,028,499
<u>As at 31 December 2020</u>			
Net book value of property and equipment	168,217,925	4,813,333	173,031,258
Total assets	1,008,263,014	17,746,484	1,026,009,498
Total liabilities	449,206,603	21,273,434	470,480,037
	KSA SR	UAE SR	Total SR
<u>For the year ended 31 December 2019</u>			
Revenue	1,477,906,434	34,392,093	1,512,298,527
Cost of revenue	(1,102,061,798)	(30,430,149)	(1,132,491,947)
Gross profit	375,844,636	3,961,944	379,806,580
General and administration expenses	(58,065,181)	(9,078,871)	(67,144,052)
Marketing expenses	(7,898,248)	(836,509)	(8,734,757)
Provision for doubtful debts	(13,990,424)	(7,398,115)	(21,388,539)
Income from main operations	295,890,783	(13,351,551)	282,539,232
<u>As at 31 December 2019</u>			
Net book value of property and equipment	174,147,335	4,576,434	178,723,769
Total assets	1,085,955,499	17,154,685	1,103,110,184
Total liabilities	495,389,949	22,267,282	517,657,231

32 Financial instruments

Financial instruments by category

Financial instruments have been categorised as follows:

	31 December 2020 SR	31 December 2019 SR
<u>Financial assets</u>		
Cash and cash equivalents	57,909,641	188,704,375
Murabaha time deposits	260,000,000	110,000,000
Accounts receivable	159,220,451	207,888,805
Amounts due from related parties	25,875,608	22,750,826
Equity investments at FVTPL	33,428,757	32,885,619
Cash margin against license guarantee letter	7,917,898	12,381,991
Total financial assets	544,352,355	574,611,616
<u>Financial liabilities</u>		
Accounts payable	11,143,755	11,756,732
Amounts due to related parties	-	7,760,298
Retained deposits	85,321,190	119,079,009
Lease liabilities	26,060,034	35,368,720
Total financial liabilities	122,524,979	173,964,759

32 Financial instruments (continued)

Fair value estimation of financial instruments

The following table present the Group's financial instruments measured at fair value at 31 December 2020 and 31 December 2019:

	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
31 December 2020				
Equity investments at FVTPL	-	33,428,757	-	33,428,757
31 December 2019				
Equity investments at FVTPL	-	32,885,619	-	32,885,619

Management believes that the fair value of all financial assets and liabilities are classified as amortized cost and at the reporting date approximate their fair value owing to their short-term tenure and the fact that these are readily liquid, except for equity investments at FVTPL. These are all classified within level 2 of the fair value hierarchy. There were no transfers between various levels of fair value hierarchy during the current year nor the prior year.

33 Financial risk and capital management

The Group's principal financial instruments consist of cash and cash equivalents and accounts receivable which are generated directly from operations. The Group has various other financial instruments such as murabaha time deposits, equity investments at FVTPL, amounts due from related parties, cash margin against license guarantee letter, accounts payable, retained deposits and amounts due to related parties, which are incurred to finance operations in the normal course of business.

The Group is exposed to market risk (e.g. currency risk and commission rate risk), credit risk and liquidity risk and equity price risk.

Market risk

Market risk is the risk that changes in market prices, such as currency rates and interest rates that will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group transacts principally in SR, US Dollars and UAE Dirhams. Management monitors regularly the fluctuations in currency exchange rates and the effects of the currency fluctuation has been accounted for in the consolidated financial statements accordingly.

Commission rate risk

Commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market commission rates. The Group is subject to commission rate risk on its commission bearing assets including cash and cash equivalents and Murabaha time deposits which is not likely to be significant. The Group does not have any commission bearing liability at the consolidated financial position date.

Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset. At the consolidated statement of financial position date SR 52.6 million (31 December 2019: SR 71.8 million) of the gross accounts receivable pertains to 5 major customers.

Accounts receivable

Customers are assessed according to Group's criteria prior to entering into service arrangements.

33 Financial risk and capital management (continued)

Credit risk (continued)

Amounts due from related parties

An impairment analysis is performed at each reporting date on an individual basis for the major related parties. The maximum exposure to credit risk at the reporting date is the carrying value of the amounts due from related parties (note 12). The Group does not hold collateral as a security. This assessment is undertaken each financial year through examining the financial position of the related parties and the market in which the related parties operates. The Group evaluates the risk with respect to amounts due from related parties as low, as majority of the related parties are owned by the same shareholders.

Credit risk related to time deposit and cash deposit

Credit risk from balances with banks and financial institutions is managed in accordance with the Group's policy. Cash is substantially placed with national banks with sound credit ratings. The Group does not consider itself exposed to a concentration of credit risk with respect to banks due to their strong financial background.

ECL assessment for accounts receivable

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all financial assets measured at amortized cost and contract assets.

The key inputs into the measurement of ECL are the following variables:

- Probability of default ("PD") using statistical model (i.e. normal distribution curve)
- GDP of KSA, as a macroeconomic variable to adjust the historic loss rate

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The management believes that the Group is not exposed to significant risks in relation to liquidity and maintains different lines of credit. Upon careful comparison of the financial liabilities included within the current liabilities with the financial assets forming part of the current assets, there seems to be a reasonably hedging position between the two categories.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

Contractual maturities of financial liabilities 31 December 2020	Less than 1 year SR	Between 1 and 2 years SR	Between 2 and 5 years SR	Over 5 years SR	Total SR
Accounts payable	11,143,755	-	-	-	11,143,755
Retained deposits	85,321,190	-	-	-	85,321,190
Lease liabilities	8,701,633	4,487,321	8,382,203	4,488,877	26,060,034
Total	105,166,578	4,487,321	8,382,203	4,488,877	122,524,979
Contractual maturities of financial liabilities 31 December 2019	Less than 1 year SR	Between 1 and 2 years SR	Between 2 and 5 years SR	Over 5 years SR	Total SR
Accounts payable	11,756,732	-	-	-	11,756,732
Amounts due to related parties	7,760,298	-	-	-	7,760,298
Retained deposits	119,079,009	-	-	-	119,079,009
Lease liabilities	7,392,341	7,232,179	13,509,527	7,234,673	35,368,720
Total	145,988,380	7,232,179	13,509,527	7,234,673	173,964,759

Equity price risk

The Group is exposed to equity price risks arising from equity investments. At the end of the reporting period, most of the Group's equity investments are held for strategic purposes rather than trading purposes. The Group does not actively trade these investments.

At the reporting date, the exposure of quoted equity investments was SR 33.4 million (31 December 2019: SR 32.9 million) (note 16).

33 Financial risk and capital management (continued)

Operational risk

Operational risk is the risk that the Group will encounter difficulties in providing the required manpower or failing to complete the period of the contract due to rejection of work, lack of good work performance, escape, death and change of related laws and regulations. The Group seeks to manage the operation risks by monitoring these cases on a regular basis in order to avoid or reduce occurrence of such cases. The Group also provides a provision to encounter these cases when occurred. During the year, the Group was able to compute the net exposure/impact upon considering the related prepayments and accruals balances for inactive employees. Provision for operational risk as at the end of the reporting period amounted to SR 1.6 million (31 December 2019: SR 1.8 million) (note 19).

Capital management

Capital is equity attributable to the shareholders. The Group's objectives when managing capital are to:

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

The management policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group manages its capital structure and makes adjustments to it, in light of change in economic conditions. The management monitors the return on capital, which the Group defines as result from operating activities divided by total shareholders' equity. The management also monitors the level of dividends to shareholders. There were no changes in the Group's approach to capital management during the year. Neither the Group are subject to externally imposed capital requirements.

34 Contingent liabilities

The Group's bankers have issued, on its behalf, guarantees amounting to SR 7.9 million (31 December 2019: SR 12.3 million) in respect of contract performance, in the normal course of business.

35 Company's operations

Following are Company's branches details as at 31 December 2020:

Name	Commercial Registration Number	Commercial Registration Date
Al Yasameen	1010465207	2 Safar 1438H
Al Moroj	1010436553	28 Shawwal 1436H
Al Taawon	1010427484	9 Muhurram 1435H
Ar Rass	1132010275	7 Dhul-Qadah 1435H
Al Rawdah	1010465209	2 Safar 1438H
Head office (Olaya)	1010364538	07 Rabi Thani 1434 H
Al Kharj	1011139356	25 Rabi Awal 1440H
Suwaidi	1010427485	9 Muhurram 1435H
Medina	4650074415	7 Dhul-Qadah 1435H
Buraydah 1	1131056729	29 Jumad Awal 1437H
Ha'il	3350043316	27 Rabi Thani 1436H
Khurais	1010436554	28 Shawwal 1436H
Unaizah	1128019121	15 Rabi Awal 1436H
Jeddah - Naeem	4030278496	9 Muhurram 1435H
Jeddah – Al Marwa	4030296922	20 Muhurram 1439H
Jeddah-Al Nozha	4030379270	16 Rajab 1441H
Jeedah- Al Faihaa	4030379272	16 Rajab 1441H
Dammam	2050111011	29 Safar 1438H
Taif	4032241081	1 Rajab 1441H
Abha	5850071792	23 Rabi Thani 1439H
Al Qassim Buradah 2	1131291194	3 Jumad Thani 1439H

36 Impact of Covid-19

A novel strain of coronavirus (COVID-19) was first identified at the end of December 2019, subsequently in March 2020 was declared as a pandemic by the World Health Organization (WHO). COVID-19 continues to spread throughout in nearly all regions around the world including the Kingdom of Saudi Arabia and resulted in travel restrictions and curfew in the cities which resulted in a slowdown of economic activities and shutdowns of many sectors at global and local levels.

The extent to which coronavirus pandemic impacts the Group's business, operations, and financial results, is uncertain and depends on many factors and future developments, that the Group may not be able to estimate reliably during the current period. These factors include the virus transmission rate, the duration of the outbreak, precautionary actions that may be taken by governmental authorities to reduce the spread of the epidemic and the impact of those actions on economic activity, the impact to the businesses of the Group's customers and partners and other factors.

As far and as of the date of the approval of this consolidated financial statements for the year ended 31 December 2020, the Group's operations have not incurred significant impact from the COVID-19 outbreak. The Group will continue to evaluate the nature and extent of the impact on its business and financial results.

37 Events subsequent to the reporting date

No events have occurred subsequent to the balance sheet date which requires adjustment to, or disclosure, in these consolidated financial statements.

38 Comparative information

Certain amounts in the prior period have been reclassified in order to conform to the presentation for the current year.