AL-SHARQIYAH DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
AND INDEPENDENT AUDITOR'S REPORT

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(A Saudi Joint Stock Company)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
AND INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF AL-SHARQIYAH DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of **Al-Sharqiyah Development Company – a Saudi Joint Stock Company ("the Company"),** which comprise the statement of financial position as at December 31, 2023, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standard ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE SHAREHOLDERS OF AL-SHARQIYAH DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

EMPHASIS OF MATTER

We draw attention to note 22 of the accompanying financial statements, in respect to the government grant" agriculture lands", that on the date of August 2,2022, the Company has received the Ministry of Environment Water & Agriculture decision issued on June 30,2022, which included that the deed cannot be issued in the name of the Company. however, the Company can benefit from the land until the Saudi Aramco Company realizes its actual needs, accordingly, the Company has reclassified the government grants within the intangible assets (government grants) instead of classifying within the property, plant, and equipment according to the obtaining of the agriculture land utilization right until the Saudi Aramco Company realizes its actual needs, or in case of the seizure of the land or a part of it. Until the reporting date. We did not obtain any updates related to this matter. Management could not identify the useful life for the agriculture land utilization.

Our opinion is not modified in respect of those matters.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter	How the matter was addressed in our audit
Going concern (Refer to note 1 of these financial statements related to its' disclosures) The company has losses amounting to 185,743 Saudi riyals for the year ending December 31, 2023 (2022: 3 million Saudi riyals), and management has not begun to carry out its main activities until the date of the report. During the year 2023, the company obtained the approval of the Capital Market Authority to increase the company's capital by 225 million Saudi riyals by offering priority rights to shareholders. The company's management has also prepared a future business plan to carry out its main activities, in addition to preparing future cash forecasts. The financial statements were prepared on the going concern basis. We considered going concern to be a key audit matter as the assessment made by management is important regarding assumptions related to the going concern principle and also depends to a large extent on the expectations set by management, which can be affected by subjective elements, such as estimated future cash flows and expected results. .	We performed the following procedures, among others: • Review the reasonableness of the inputs and assumptions used in cash flow forecasts against historical performance and the company's future business plans, • Evaluate the key assumptions used by management in preparing its cash flow forecasts, including those relating to revenue growth, expected costs and expenses and the expected timing of significant payments, • Evaluating the adequacy of the disclosures made by the company regarding the preparation of financial statements based on the continuity principle.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE SHAREHOLDERS OF AL-SHARQIYAH DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

OTHER INFORMATION

Management is responsible for the other information in its annual report. Other information consists of the information included in the Company's 2023 annual report, other than the financial statements and our auditor's report thereon, we expect to obtain it after the date of our audit report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, Board of Directors, are responsible for overseeing The Company's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the 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 International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also do the following:

- Identify and assess the risks of material misstatement of the 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of the Company's internal control.

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE SHAREHOLDERS OF AL-SHARQIYAH DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

- 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements. Or, we must modify our opinion if such disclosures are inadequate. Our conclusions are based on the audit evidence obtained up to the date of our report auditor. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 controls 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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 Al-Kharashi & Co.

Abdullah S. Al Msned
License No. (456)

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محاسبون و مراجعون قانونيون
C.R.: 1010327044 :س.ت
Certified Accountants
& Auditors
AL-Kharashi Co.

Riyadh:
Ramadan 17,1445H
March 27, 2024G

AL-SHARQIYAH DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
As at 31 DECEMBER 2023
(All amounts expressed in Saudi Riyals unless otherwise stated)

		As at	
	Note	**31 December 2023**	31 December 2022
Assets			
Non-Current Assets			
Property, plant and equipment, net	6	**11,914,813**	11,115,482
Intangible assets, government grant	7	**171,307,811**	171,307,811
Investments at fair value through other comprehensive income	8	**7,017,049**	1,425,600
Total non-current assets		**190,239,673**	183,848,893
Current assets			
Trade receivables, prepayments, and other receivables	9	**1,467,023**	316,907
Term deposits	10	**140,000,000**	-
Cash and cash equivalents	11	**63,377,629**	408,906
Total Current Assets		**204,844,652**	725,813
Total Assets		**395,084,325**	184,574,706
Equity and liabilities			
Equity			
Share capital	12	**300,000,000**	75,000,000
Statutory reserve	13	**3,276,667**	3,276,667
Fair value reserve	14	**5,591,449**	-
Retained earnings		**56,987,486**	60,911,933
Total Equity		**365,855,602**	139,188,600
Liabilities			
Non-Current Liabilities			
Lease liabilities – non-current portion	17	**726,650**	-
Employee Benefits Obligations	15	**306,892**	506,075
Total Non-Current Liabilities		**1,033,542**	506,075
Current Liabilities			
Trade and other payables	16	**5,243,557**	10,261,094
Lease liabilities –current portion	17	**347,555**	-
Due to related parties	18	**5,272,383**	515,863
Short term loan	19	-	16,748,823
Accrued dividends	20	**1,358,957**	1,359,072
Provision for zakat	21	**15,972,729**	15,995,179
Total Current Liabilities		**28,195,181**	44,880,031
Total Liabilities		**29,228,723**	45,386,106
Total Equity and Liabilities		**395,084,325**	184,574,706

Chief Financial Officer　　Chief Executive Officer　　Chairman

The accompanying notes from 1 to 30 form an integral part of these financial statements.

AL-SHARQIYAH DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Note	For The year ended 31 December	
		2023	2022
Revenue		-	-
Cost of revenue		-	-
Gross Profit		-	-
General and administrative expenses	23	**(6,096,588)**	(3,111,952)
Operating Loss		**(6,096,588)**	(3,111,952)
Finance cost		**(851,644)**	(653,643)
Dividends from Investments at fair value through other comprehensive income	8	**300,000**	300,000
Returns on term deposits		**6,111,871**	-
Other income	24	**350,618**	268,560
Loss Before Zakat		**(185,743)**	(3,197,035)
Zakat	21	-	-
Loss for the year		**(185,743)**	(3,197,035)
<u>Other comprehensive income (loss)</u>			
Items that will not be subsequently reclassified to profit or loss:			
Change in fair value of equity instruments at fair value through other comprehensive income	8-14	**5,591,449**	-
Loss on measurement of employees' benefits plan	15	**105,431**	(281,122)
Total other comprehensive income (loss)		**5,696,880**	(281,122)
Total comprehensive income (loss) for the year		**5,511,137**	(3,478,157)
Loss per share attributable to the shareholders			
Basic and diluted	25	**(0.008)**	(0.242)

Chief Financial Officer   Chief Executive Officer   Chairman

The accompanying notes from 1 to 30 form an integral part of these financial statements.

AL-SHARQIYAH DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Fair value reserve	Retained earnings	Total
Balance as at 1 January 2022	75,000,000	3,276,667	-	64,390,090	142,666,757
Loss for the year	-	-	-	(3,197,035)	(3,197,035)
Other comprehensive loss	-	-	-	(281,122)	(281,122)
Comprehensive loss for the year	-	-	-	(3,478,157)	(3,478,157)
Balance at 31 December 2022	75,000,000	3,276,667	-	60,911,933	139,188,600
Balance as at 1 January 2023	**75,000,000**	**3,276,667**	-	**60,911,933**	**139,188,600**
Issuance of shares	**225,000,000**	-	-	-	**225,000,000**
Transaction cost	-	-	-	**(3,844,135)**	**(3,844,135)**
Loss for the year	-	-	-	**(185,743)**	**(185,743)**
Other comprehensive loss	-	-	**5,591,449**	**105,431**	**5,696,880**
Comprehensive income for the year	-	-	**5,591,449**	**(80,312)**	**5,511,137**
Balance at 31 December 2023	**300,000,000**	**3,276,667**	**5,591,449**	**56,987,486**	**365,855,602**

Chief Financial Officer

Chief Executive Officer

Chairman

The accompanying notes from 1 to 30 form an integral part of these financial statements.

AL-SHARQIYAH DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Note	2023	2022
Cash flows from operating activities			
Loss before zakat		**(185,743)**	(3,197,035)
Adjustments of non-cash items:			
Depreciation of property, plant, and equipment	6	**608,540**	634,515
Depreciation of right-of-use assets	6.2	**39,638**	-
Finance cost of right-of-use assets	17	**5,946**	-
Employee benefit obligations	15	**151,940**	56,929
		620,321	(2,505,591)
Changes in operating assets and liabilities:			
Trade receivables, prepayments and other receivables		**(1,150,117)**	(232,804)
Trade and other payables		**(5,017,537)**	(1,571,885)
Due to related parties		**4,756,520**	(2,302,255)
Distributions payable to shareholders		**(114)**	-
Net cash used in operating activities		**(790,927)**	(6,612,535)
Paid end of Employee benefit obligations		**(245,692)**	-
Paid for zakat		**(22,450)**	-
Net cash used in operating activities		**(1,059,069)**	(6,612,535)
Cash flow from investing activities			
Term deposits		**(140,000,000)**	-
Proceeds from the sale of assets		**986**	-
Payment of purchasing of property and equipment	6	**(21,517)**	-
Net cash used in investing activities		**(140,020,531)**	-
Cash flow from financing activities			
Issuance of shares		**225,000,000**	-
Transaction cost		**(3,844,135)**	-
Payment of lease liabilities	17	**(358,718)**	-
Short term loan		**(16,748,824)**	6,748,823
Net cash generated from financing activities		**204,048,323**	6,748,823
Net change in cash and cash equivalents		**62,968,723**	136,288
Cash and cash equivalents at the beginning of the year		**408,906**	272,618
Cash and cash equivalents at the end of the year		**63,377,629**	408,906
Non-cash transactions			
Change in fair value of equity instruments at fair value through other comprehensive income	8-14	**5,591,449**	-
Actuarial loss from re-measurement of employees' benefits plan	15	**105,431**	(281,122)

Chief Financial Officer | Chief Executive Officer | Chairman

The accompanying notes from 1 to 30 form an integral part of these financial statements.

(All amounts expressed in Saudi Riyals unless otherwise stated)

1. GENERAL INFORMATION

Al-Sharqiya Development Company (the "Company") was founded according to the royal decree No. 406 dated 21 Thu Al-Qa'dah 1406H as a Saudi joint stock company under CR ("CR") No. 2050016477 issued in Dammam on 19 Muharram 1407H (corresponding to 21 September 1986). The share capital of the Company was set at 75,000,000 Saudi Riyals, divided into 7,500,000 shares 10 Saudi Riyals each, fully paid. Referring to note 4, The Company's shareholders at the extraordinary generally assembly meeting held on May 8, 2023 (corresponding to Shawwal 18, 1444H) have approved the share capital increase by SR 225 million. The share capital after shareholders' approval was by SR 300 million.

Moreover, the shareholders have approved to change the Company's main activity which is summarized as follows:

- Agriculture, forestry and fishing. / Construction.
- Wholesale and retail trade and repair of motor vehicles and motorcycles.
- Transportation and storage.
- Accommodation and food service activities. / Real estate activities.
- Arts, entertainment and leisure.

Other service activities, which are represented in the activities of professional membership organizations

Branch name	CR number	Activity
Branch of Al Sharqiyah Development Company - Riyadh	1010480322	Management and leasing of owned or leased real estate

On May 7, 2023 (referring to Note 4), the company's shareholders approved the recommendation of the company's Board of Directors to issue rights shares worth 225 million Saudi riyals. The company's management is in the process of implementing the approved long-term strategic plan. Until the date of the report, the company continued to realize losses, as the company incurred net losses for the year ending December 31, 2023, amounting to 186 thousand Saudi riyals (December 31, 2022: 3.2 million Saudi riyals). Also, net cash used in operational activities amounted to 1.1 million Saudi riyals (December 31, 2022: Cash used in operational activities amounted to: 6.6 million Saudi riyals). Despite this, the company's management expects the company's ability to change its current reality and continue towards implementing its long-term strategic plans, which focus on a group of future development projects, which are expected to have a significant impact in light of supporting the Kingdom of Saudi Arabia's direction towards implementing the food security plan. In addition to supporting the company's financial position and giving the company better investment opportunities. Therefore, the company's management conducted a feasibility study for several projects in strategic areas within the agricultural and poultry sector, which were carefully selected to be in line with the goals of sustainable growth. On December 14, 2023, the company's management signed a memorandum of understanding with Doha Poultry Company, which included the general framework for cooperation between them in the field of poultry investment. In addition, at a date subsequent to the date of the report, the company's management established Sadu Al Arab Trading Company, a company wholly owned by the Eastern Development Company, for the purposes of investing in activities related to food security and logistics services. On the other hand, the management was keen to manage the available liquidity in investment areas to achieve a distinguished return. The company expects that these strategic plans will have positive expected results that will contribute to improving the company's financial position and cash flows in an effective manner.

On the other hand, as a result of the decision of the Ministry of Environment, Water and Agriculture issued on June 30, 2022, until the date of the report, the company had not obtained a deed of ownership of the agricultural land on which its future strategic activities would be held, but the company was given the right to benefit from the land (with reference to the clarification No. 12). Management believes that reclassifying the value of the land into intangible assets (government grants) (non-current) has no impact on the company's cash flows, nor does it have an impact on the strategic and operational plans and support of the company's future activities.

The company's management has conducted an assessment of its going concern assumption and based on the company's approved future plans, management believes that the company will be able to commence its operations and meet its obligations as they fall due within the next twelve months after taking into account the foundations and results of the approved plan referred to above, and based on the results. Expected after providing the necessary liquidity by increasing the company's capital by offering priority rights shares. The management believes in the company's ability to begin its planned work in the future, and therefore the company will continue in the foreseeable future according to the normal and planned course of business, and the continuity principle remains used in preparing these financial statements.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") that are as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA").

2.2 Basis of measurement

These financial statements have been prepared on a historical cost using going concern basis using the accrual basis of accounting, except for cash flow information. The re-measurement of certain financial assets and financial liabilities at fair value and the recognition of employees' end-of-service benefits at the present value of the defined benefit obligation have been adjusted, as explained in the relevant policy notes. The basis of measurement is fully described in the accounting policies below.

The Capital Market Authority has allowed the listed Companies to use the fair market value or the revaluation module to measure the investment property starting from January 1, 2023. It's also required the companies to continue the use of cost module for property, plant and equipment and intangible assets.

2.3 Functional and presentation currency

These financial statements are presented in Saudi Riyals (SAR), unless otherwise stated, which is the functional and presentation currency of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements in accordance with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the recognized amounts of revenues, cost, assets and liabilities, and disclosures of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates may result in outcomes that could require a material adjustment to the carrying amount of the assets or liabilities in the future period.

These estimates and assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying amounts of assets and liabilities that cannot be determined from other sources. Estimates and assumptions are reviewed periodically, and adjustments to accounting estimates are recognized in the period in which the estimates are revised or recognized in the adjustment period, and future periods if the modification changes the current and future periods.

Judgments

Information about significant judgments made by the Company when applying accounting policies that have a material impact on the amounts recorded in the financial statements is included in the following notes:

- Note - Revenue recognition
- Note - 'determining whether an arrangement involves a lease'

Assumptions and Uncertain Estimates

Information about uncertainties about assumptions and estimates as at December 31, that have a material risk of causing a material adjustment to the carrying amounts of assets and liabilities during the next financial year is included in the following notes:

- Measurement of employee benefits: Major actuarial assumptions;

The cost of defined end-of-service benefits and the present value of the related liabilities are determined using actuarial valuations. The actuarial valuation involves making various assumptions that may differ from actual developments in the future. It also includes determining the discount rate, future salary increases, leavening before the natural retirement age, death rates, and others. Because of the valuation's difficulty and underlying assumptions, and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at the balance sheet date. The criterion most subject to change is the discount rate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

- Useful life of property, and equipment

Management determines the useful lives and the residual value on disposal of property, plant, and equipment. Such estimates are made taking into consideration the factors of expected usage of the assets, expected physical wear and tear, program of repair and maintenance and technological obsolescence due to changes. The management reviews the useful lives, residual value and depreciation method annually, where future depreciation is adjusted when management believes that there have been changes in the useful lives, residual value and depreciation method from those estimates used in previous years.

- Measurement of fair value of financial instruments

In the case that the fair value of financial assets recorded in the statement of financial position cannot be measured on the basis of prices listed in the active market, their value is determined using valuation methods, including the present value of the expected cash flows from those assets, or using other methods as stipulated in International Standard No. 13.

-Impairment of trade and other receivables

The Company's management applies the expected credit loss model to determine the impairment losses of trade receivables. The Company's management makes estimates when making these assumptions and determining impairment inputs based on the Company's past history and current market conditions, as well as future estimates at the end of each reporting period.

(All amounts expressed in Saudi Riyals unless otherwise stated)

4. NEW STANDARDS, AMENDMENTS TO STANDARDS, AND INTERPRETATIONS

The below-mentioned IFRSs are not expected to have a significant impact on the financial statements of the group.

New Standards, Amendments to Standards and Interpretations
The company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2023:

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IAS 8	Accounting policy	January 1, 2023	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.
IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023	These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

New standards, amendments and revised IFRS issued but not yet effective
The company has not applied the following new and revised IFRSs and amendments to IFRS that have been issued but are not yet effective.

IFRS 16	Leases on sale and leaseback	January 1, 2024	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.
IAS 1	Non-current liabilities with covenants and Classification of Liabilities as Current or Non-current Amendments	January 1, 2024	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.
IAS 7 and IFRS 7	Supplier finance arrangements	January 1, 2024	Supplier finance arrangements
IAS 27	Lack of exchangeability	January 1, 2024	Lack of exchangeability

Following are the new IFRS sustainability disclosure standards effective for annual periods beginning on or after 1 January 2024 subject to endorsement of the standards by SOCPA.

IFRS S1	General requirements for disclosure of sustainability-related financial information	January 1, 2024	This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.
IFRS S2	Climate-related disclosures	January 1, 2024	This is the first thematic standard issued that sets out requirements for entities to disclose information about climate related risks and opportunities.

The above-mentioned IFRSs are not expected to have a significant impact on the financial statements of the company.

5. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these financial statements are set out below. These policies have been consistently applied to all the years presented.

Financial Instruments

Financial instrument is a contract that give rise to a financial asset of one entity and financial liability or equity instrument of another entity.

Financial assets or financial liabilities are recognized at fair value. The transaction price is the costs directly attributable to the acquisition or issue of financial assets or financial liabilities (excluding financial assets and financial liabilities that are subsequently measured at fair value through profit or loss), which are added to or reduced from the fair value of the financial assets or financial liabilities, as necessary, upon initial recognition.

Financial assets

Classification and post-measurement

In accordance with IFRS 9, upon initial recognition, financial assets are classified as recorded with: amortized cost; Fair value through other comprehensive income - debt investments, fair value through other comprehensive income - equity investments; or fair value through profit or loss. Financial assets are not reclassified subsequent to initial recognition, except in the period after the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the financial reporting period after the change in business model.

A financial asset is measured at amortized cost if the following two conditions are met and is not designated at fair value through profit or loss:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; And
- Its contractual terms give rise to cash flows on specific dates that are payments that are limited to principal and interest on the principal amount outstanding. On initial recognition of equity investments not held for trading, the Company may irrevocably decide to present subsequent changes at fair value through other comprehensive income. This decision is made on an investment-by-investment basis. The Company does not have any financial assets designated at fair value through other comprehensive income.

All financial assets not classified at amortized cost or at fair value through other comprehensive income as described above are measured at fair value through profit or loss. On initial recognition, the Company may irrevocably designate a financial asset that meets the requirements to be measured at amortized cost or at fair value through other comprehensive income because its measurement at FVTPL eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business Model Evaluation

The Company makes an evaluation of the objective of the business model in which the asset is held at the portfolio level because this reflects the best way of conducting the business and providing information to management. The information considered includes:

- The policies and objectives established for the portfolio and the implementation of those policies in practice. In particular, the extent to which management's strategy focuses on achieving contractual commission income, maintaining a certain commission rate, matching the time period of financial assets with the time period of financial liabilities or expected cash outflows, or realizing cash flows through the sale of assets;
- How to evaluate and report on the performance of the portfolio;
- The risks that affect the performance of the business model (and the financial assets held within the business model), and how those risks are managed.
- How the business managers are compensated, for example whether compensation is based on the fair value of the assets under management or the contractual cash flows collected; And

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (Continued)

- The frequency, volume and timing of sales of financial assets in previous periods, the reasons for those sales and their expectations regarding future sales activity. However, these sales cannot be taken into account alone, but as part of the overall assessment of how the Company will reach the goals set for managing the assets, and how to achieve the cash flow.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not sales of purpose, consistent with the Company's continuing recognition of the assets. Financial assets that are held for trading or management purposes and whose performance is measured on a fair value basis, are measured at fair value through profit or loss. The evaluation of the business model is done according to scenarios that can reasonably occur without taking into account the so-called "worst case" or "stress case" scenarios.

If, after initial recognition, the cash flows are realized differently from the original Company's expectations, the Company does not change the classification of the remaining financial assets held within that business model, but takes into account this information when evaluating the business model for financial assets to be used or purchased in the future. Financial assets that are held for trading and whose performance is measured on a fair value basis are measured at fair value through profit or loss because these financial assets are not held to collect contractual cash flows or to collect contractual cash flows and sell financial assets.

Assessing whether the contractual cash flows of an asset are payments solely on principal and interest

For the purpose of this assessment, a 'debt asset' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding over a given period of time, and other basic lending options and costs (such as liquidity risk and administrative costs) as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset includes a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

When making the assessment, the Company takes into account:

- Contingent events that change the amount and timing of cash flows;
- Terms that modify the contractual coupon rate, including variable rate features;
- Prepaid and rollover benefits; And
- Conditions that limit the Company's claim to cash flows from specific assets (such as irrevocable asset features).

An advance payment benefit is consistent only with the Standard of Payments of Principal and Interest only if the advance payment is substantially unpaid amounts of principal and interest on the principal amount outstanding, which may include an additional consideration acceptable for early termination. Additionally, for financial assets acquired at a discount or premium to the contractual nominal price, a feature that permits or requires prepayment is treated in an amount that is the contractual value of the contract plus the contractual interest accrued (but not paid) (which may also include consideration for additional acceptable early termination) as compliant with this Standard if the fair value of the prepayment characteristic is immaterial on initial recognition.

The Company has classified its financial assets in each of the following categories:

- Loans and accounts receivable؛
- Held to maturity date
- Investments available for sale؛ and
- At fair value, and within this category are as follows:
  - Investment at fair value through other comprehensive income.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Financial Assets - Subsequent Measurement and Profit and Loss:

Financial assets at fair value through profit or loss (FVTOCI)	These assets are subsequently measured at fair value. Net profit or loss, including any interest or dividend income, is recognized in other comprehensive income.
Financial assets at amortized cost	Financial assets are subsequently measured at amortized cost, using the effective interest rate method. The amortized cost is reduced by the impairment loss on the asset. Interest income and gains and losses from foreign currencies exchange and impairment, if any, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Loans and accounts receivable	It is measured at amortized cost, using the effective interest rate method.
Equity investments at fair value through other comprehensive income	These assets are subsequently measured at fair value. Dividends are recognized as income in the statement of profit or loss and other comprehensive income unless the dividends clearly represent a recovery of part of the cost of the investment. Other profits and losses are recognized in other comprehensive income and are not reclassified to profit or loss.
Financial assets available for sale	Measured at fair value and any changes therein (other than impairment losses, interest income and foreign exchange differences on debt instruments) are recognized in other comprehensive income and the cumulative change is shown in the fair value reserve. On derecognition of these assets, the cumulative gain or loss in equity is reclassified to profit or loss.

Financial liabilities

Classification, post-measurement, and profit and loss

Financial liabilities are classified as carried at amortized cost, or at fair value through profit or loss. Financial liabilities that are classified as held for trading are classified at fair value through profit or loss or if it is a hedging instrument, or should be accounted for on this basis from the date of initial recognition. Financial liabilities are measured at fair value through profit or loss and any net gains and losses, including interest expense, are recognized in profit or loss. Other financial liabilities (including loans, withdrawals, accounts payable and other payables) are subsequently measured at amortized cost using the effective interest rate method. Interest expense and loss of foreign exchange changes are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Effective interest method

The effective interest method is an accounting practice used for calculating the amortized cost of a debt instrument and for distributing interest income over the relevant period. For financial instruments other than financial assets that are purchased or of an impaired principal value, the effective interest rate is the rate that effectively discounts estimated future cash flow payments (including all fees and points paid or received that are an integral part of the effective interest rate, transaction costs and premiums). or other discounts) excluding the expected credit losses through the expected life of the financial liability or, where appropriate, a shorter period, to the net carrying amount on initial recognition. For financial assets that are purchased or of an impaired principal value, the adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or the right to receive the contractual cash flows is transferred in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or in which the Company does not transfer or retain substantially all the risks and rewards of ownership while not retaining control over the financial assets.
On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount assigned to the part of the asset that is derecognised) and the consideration received (including any new assets acquired less any new liabilities incurred) is recognized in profit or loss. Any interest in transferred financial assets created or retained by the Company is recognized as a separate asset or liability.

financial obligations

The Company derecognizes financial liabilities when the Company's obligations are discharged, canceled or have expired. The Company also stops recognizing financial liabilities when their terms are modified and when the cash flows of the modified liabilities differ significantly, in which case a new financial liability is recognized based on the modified terms at fair value.

Upon derecognition of a financial liability, the difference between the carrying amount and the consideration given, including non-monetary assets transferred or liabilities incurred, is recognized in profit or loss.

Offsetting

The amounts of financial assets and financial liabilities are offset and the net amount presented in the statement of financial position only when the Company has a legal right to set off the amounts and intends either to settle it on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis of gains or losses arising from financial instruments at fair value through profit or loss and gains and losses from changes in foreign exchange rates.

Impairment of financial assets

IFRS 9 requires the Company to record an expected credit loss allowance for all loans and other debt assets and financial assets not held at fair value through profit or loss, in addition to loan commitments and financial guarantee contracts. The provision is based on the expected credit loss associated with the probability of default within the next twelve months unless there has been a significant increase in credit risk since its inception.

If the financial assets meet the definition of credit-impaired financial assets purchased or originated, then the provision is based on the change in the expected credit loss over the life of the assets. Under IFRS 9, credit losses are recognized earlier than the previous accounting standard.

The Company applies the simplified method of IFRS 9 to measure expected credit losses that use a useful life expected loss allowance for trade and other receivables. To measure expected credit losses, trade and other receivables are grouped based on common credit risk characteristics and days past due.

In determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating the expected credit loss, the Company considers relevant supporting information that is available without undue cost or effort. This includes obtaining quantitative and qualitative information, carrying out analysis based on the Company's past experience, and a good credit assessment, including forecast information.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Impairment of financial assets (continued)

The Company considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Company in full, without resorting to measures such as the use of collateral (if any); or
- That the financial asset is past due date.

Lifetime ECL represents the expected credit losses that will result from possible hypothetical events over the expected life of the financial instrument. The maximum credit period considered when estimating ECL is the maximum contractual period over which the Company is exposed to credit risk.

Measurement for expected credit loss:

Expected credit losses are a weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (that is, the difference between the cash flows due to the entity as per the contract and the cash flows the Company expects to receive). Expected credit losses are discounted at the financial asset's original effective profit rate.

Low-credit financial assets

The Company assesses at each financial statement date whether financial assets carried at amortized cost and debt securities at FVOCI, if any, are credit impaired. A financial asset is considered impaired when one or more events that have a negative impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is impaired includes the following observable events:

- due to significant financial difficulty of the borrower or issuer;
- breach of contract, such as default or late payment;
- Rescheduling of the financial asset by the Company on terms that are not otherwise indispensable to the Company;
- It is probable that the borrower will enter bankruptcy or other financial reorganization; or
- The absence of an active market for that for a financial instrument due to financial difficulties.

Display the expected credit loss allowance in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the total carrying amount of the assets.

Write-off

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is an adequate assessment of its uncollectible. For example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Written-off financial assets may continue to be subject to enforcement activities under the Company's recovery procedures, subject to legal advice where appropriate. Any recoveries are recognized in profit or loss.

Property, plant, and equipment

Property and equipment are stated at cost, after deducting accumulated depreciation and impairment loss, if any, as well as the estimated residual value on disposal, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the asset. Finance costs on loans that are directly used to finance the construction of the assets are capitalized over the period of time required to complete the assets and prepare them for their intended use.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant, and equipment (continued)

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the item of property and equipment. All other expenses are recognized in profit or loss as incurred. Capital gains and losses on disposal of property and equipment arising from the difference between the proceeds from the disposal value and the net book value of the disposed asset are recognized in profit or loss.

The management determines the useful lives of property, equipment and intangible assets for the purposes of calculating depreciation and amortization. This estimate is determined after considering the expected usage of the assets and replacement and renewal factors. Depreciation method and useful lives are reviewed periodically to ensure that depreciation method is appropriate with the expected economic benefits of property and equipment.

Depreciation is charged to profit or loss and calculated on a straight-line basis over the estimated useful lives of each individual item of property and equipment less the estimated residual value on disposal as shown above. The estimated useful lives of major items of property and equipment for the current and comparative periods are as follows:

Item	*Annual depreciation rate*
Buildings and constructions	2-15%
Machinery and equipment	10-25%
Motor vehicles	12.5-20%
Furniture and fixtures	20%

Impairment of Non-Financial Assets

Non-financial assets are tangible assets such as property and equipment.

The values of the Company's non-financial assets (other than inventories, assets held for sale and assets arising from construction contracts, if any) are studied at the date of the financial statements to determine whether there has been an event or change in circumstances that indicates an increase in the carrying amount of the asset over its recoverable amount.

When such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is its value in use less costs to sell or its fair value, whichever is higher. The impairment of an asset is the difference between the carrying amount of the asset or the related cash-generating unit and the recoverable amount discounted using the effective rate of return.

The effective rate of return is the rate that exactly discounts estimated future cash payments and receipts through the expected life of the asset or liability to the total carrying amount of the financial asset or to the amortized cost of the financial liability. A cash-generating unit is the smallest identifiable group of assets that generate cash flows that are largely independent of cash flows from other assets or groups of assets.

Impairment losses for the cash-generating unit are recognized by first reducing the impairment assets or reducing them proportionately from the cash-generating unit's assets.

At the end of each reporting period, impairment losses on other non-financial assets previously charged from prior periods are measured if there are indications that the impairment reversal. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Non-Financial Assets (continued)

Impairment is achieved when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount/value, which is its fair value/value less costs to sell and its value in use, whichever is higher. The fair value less costs to sell account is calculated based on available data from binding sales transactions, on an arm's length basis, for similar assets or observable market prices less incremental costs to sell the asset. The value in use is calculated based on the discounted cash flow model. The cash flows are derived from the budget for the subsequent five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that would enhance the asset's performance of the cash-generating unit being tested for impairment. The recoverable amount is most sensitive to the discount rate used in the discounted cash flow method as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

The significant judgments made by management in applying the Company's accounting policies and the main sources of estimation uncertainty were the same as those disclosed in the last financial statements, except for new significant judgments and key sources of estimation of uncertainties associated with the application of IFRS 13.

Trade receivable and other debit balances

Trade and other receivables are stated at the invoice amount minus the provisions made for amounts deemed uncollectible by management. Bad debts are written off when identified and approved by the Board of Directors.

Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, cash in current accounts with banks, and other short-term, highly liquid investments with original maturities of three months or less (if any) and available to the Company without any restrictions. The statement of cash flows has been prepared using the indirect method.

Accounts payable

Liabilities are recognized for amounts to be paid in future for goods or services received, whether billed or not by suppliers.

Inventory

Inventories are measured at the lower of cost and net realizable value. The cost of inventory is determined on the basis of the weighted average price method and includes expenses incurred in acquiring the inventory as well as all other costs incurred in bringing the inventory to its present location.

Net realizable value is the estimated selling price in the the circumstances ordinary course of business, less the estimated costs of completion and selling expenses.

Loans

Loans are recognized at the amount received net of transaction costs incurred. Interest is amortized over the life of the loan using a straight-line method which is not materially different from the application of the prevailing interest rate. Borrowing costs that are directly attributable to the construction of an asset until it reaches the stage at which substantially all the activities necessary to get it ready for its intended use are capitalized as part of the asset's cost. Otherwise, such costs are charged to the statement of profit or loss.

Restricted government grants

Government grants, including non-monetary grants at fair value, recognized when there is reasonable assurance that it will be obtained and all required terms will be committed to obtain this grant, The restricted government grants will be evaluated on the basis of fair value of the submitted assets, which will be recorded through the retained income according to the accounting income basis, and it will be recorded after the committing of the below terms:

a) The entity will comply with the conditions attaching to them;

b) The grants will be received.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

A provision is recognized if the Company has a current legal or constructive obligation, as a result of a past event, so that it can be estimated reliably, and it is likely that this will result in the use of the Company's economic resources to settle the obligation.

The amounts recognized as provisions are the best estimate of the consideration required to settle the current obligations at the end of the financial year, taking into account the risks and uncertainties surrounding those obligations. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is included as an asset if it is certain that the amount due will be received and the debt can be measured reliably,

Zakat provision

The estimated zakat is the estimated obligation on the Company, and a provision for it is recorded in the financial statements by charging it to profit or loss in accordance with the zakat standard issued by the Saudi Organization for Auditors and Accountants, where it is calculated for the year according to the accrual basis.

Zakat is calculated at the end of the year according to the actual ownership of Saudis and according to the adjusted net profit or zakat base, whichever is higher, in accordance with the regulations of the Zakat, Tax and Income Authority in the Kingdom of Saudi Arabia. Any differences in the estimate are recorded when the final assessment is approved.

Value added tax (VAT)

Assets and expenses are recognised net of amount of VAT, except:

- when VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case, VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable and the net amount of VAT recoverable from, or payable to;
- GAZT is included as part of other receivables or other payables.

Employees' benefits

End of service benefits are due to all employees working in accordance with the terms and conditions of the work system and workers at the end of their service contracts. The cost of specific end-of-service benefits and the present value of the related obligations are determined using actuarial valuations. The actuarial valuation involves making various assumptions that may differ from actual developments in the future. It also includes determining the discount rate, future salary increases, withdrawal before the natural retirement age, death rates, and others. Because of the valuation's difficulty and underlying assumptions, and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. The reclassification which includes the actuarial profits or losses been recorded with the financial position, meanwhile, the profits or losses been recorded with the other comprehensive income for the year incurred.

Measurement of fair value of financial instruments

A number of the Company's accounting policies and disclosures require the measurement of the fair value of both financial and non-financial assets and liabilities.

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 of the principal amount, or if it is not located in the most advantageous market to which the Company has access at that date. The fair value of the obligation reflects the risk of non-performance.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement of fair value of financial instruments (continued))

When an active market is available, the Company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is considered "active" if transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

When specific prices are not available in an active market, the Company uses valuation techniques that maximize the use of relevant observable inputs and reduce the use of unobservable inputs. The valuation technique chosen includes all the factors that market participants will take into account when pricing a transaction.

If an asset or liability measured at fair value has a bid price and an ask price, the Company measures the assets and long positions at the bid price and liabilities and short positions at the ask price.

The best evidence for the fair value of a financial instrument on initial recognition is usually the transaction price - ie the fair value of the consideration paid or received. If the Company determines that the fair value at initial recognition is different from the transaction price and there is evidence that the fair value is not at a quoted price in an active market for the asset or liability is similar and is not also in accordance with the valuation technique,

then any unobservable input is considered unrelated to the measurement, then the financial instrument is initially measured at fair value, after adjusting for deferment of the difference between fair value at initial recognition and the transaction price. Subsequently, this difference is recognized in profit or loss on an appropriate basis depending on the life of the instrument, but not later than when the valuation is fully supported by observable market data or when the transaction is closed.

When measuring the fair value of an asset or liability, the Company uses observable market data to the extent possible. Fair values are categorized into different levels in the fair value hierarchy based on the inputs used in the valuation methods as follows:

Level 1: Quoted (unadjusted) prices in active markets for similar assets or liabilities;
Level 2: Inputs other than quoted prices that are included in Level 1 that are observable for 1 asset or liability, directly (such as prices) or indirectly (derived from prices);
Level 3: Inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the entire fair value measurement is categorized in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Company recognizes transfers between levels of the fair value hierarchy at the end of the financial reporting period during which the change has occurred.

When the fair value of the assets and liabilities in the statement of financial position cannot be measured based on a Quoted prices in active market, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets, but when this is not possible, a degree of judgment is required in determining fair values. Judgments include input considerations such as liquidity

risk, credit risk and volatility. Changes in assumptions about these factors could affect the disclosed fair value of financial instruments.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

RELATED PARTY TRANSACTIONS

Related party

A related party is a person or entity that is related to the entity that is preparing its financial statements.

A- A person or a close member of that person's family is related to a reporting entity if that person:

1) has control or joint control of the reporting entity؛

2) has significant influence over the reporting entity؛ or or

3) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

B- An entity is related to a reporting Company if any of the following conditions applies:

1) The entity and the reporting Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

3) Both entities are joint ventures of the same third party.

4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

5) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

6) The entity is controlled or jointly controlled by a person
identified in (a).

7) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

8) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership to the lessee. All other leases are classified as operating leases.

At the inception of the lease, the Company determines whether the contract is a lease or includes a lease. A contract is a lease or includes a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Evaluate whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

On initiation or upon modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of the proportionate, independent prices of the lease component. However, for property leases, the Company has elected not to separate the non-lease components and to account for the lease and non-lease components as a single lease component

The Company recognizes a right-of-use asset and a lease liability on the commencement date of the lease. The right-to-use asset is initially measured at cost, which includes the initial amount of the lease liability adjusted for any lease payments made on or before the lease commencement date, plus any direct costs incurred and an estimate of the costs of dismantling and removing the underlying assets or restoring the contract asset or the site on which it is located, less No rental incentives received.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the start date of the lease to the end of the lease term, unless the lease transfers ownership of the contract asset to the Company at the end of the lease contract or the cost of the right-of-use asset indicates that the Company will use the purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the contract asset, which is determined on the same basis as those assets and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for remeasurement of certain lease liabilities. The rental obligation is measured

Initially at the present value of the unpaid lease payments at the beginning of the lease, discounted using the interest rate implicit in the lease or the Company's incremental borrowing rate, if the implicit interest rate cannot be readily determined

Generally, the Company uses the incremental borrowing rate as the discount rate. The Company determines the incremental borrowing rate by obtaining interest rates from various external sources of financing and making certain adjustments to reflect the terms of the lease and the type of leased asset. The lease payments included in the measurement of the lease liability include the following:

- fixed payments, including fixed payments in substance;
- variable lease payments that are dependent on an index or a rate, initially measured using the index or rate as at the start date of the lease;
- Amounts expected to be paid under the residual value guarantee; And
- Use of the price under the purchase option that the Company is certain to use, lease payments in an optional renewal period if the Company is reasonably certain to use the extension option, and penalties for early termination of the lease unless the Company is certain it will not terminate early.

The lease liability is measured at amortized cost using the effective interest rate method. It is re-measured when there is a change in future lease payments arising from a change in an index or price, if there is a change in the Company's estimate of the amount expected to be paid under a residual value guarantee, if the Company changes its assessment of whether to use a purchase, extension or termination option or if There was an adjusted fixed rent payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or recognized in profit or loss if the carrying amount of the right-of-use asset is reduced to zero.

Leases and short-term leases of low-value assets

The Company has elected not to recognize right-of-use assets, lease liabilities, leases of low-value assets and short-term leases. The Company recognizes lease payments associated with these leases as an expense on a straight-line basis over the term of the lease.

Contingent liabilities

Contingent liabilities are not recognized in the statement of financial position. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent liabilities are recorded in the statement of financial position under accounts payable or other payable. A contingent asset is not recognized in the statement of financial position, but is disclosed when an outflow of economic benefits is probable.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and discount. Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and the revenue and costs, can be measured reliably.

The Company recognises revenue from contracts with customers based on a five-step model as set out in IFRS15:

Step 1. Identify contract(s) with a customer:

Step 2. Identify performance obligations in the contract:

Step 3. Determine the transaction price:

Step 4. Allocate the transaction price to the performance obligations in the contract.

Step 5. Recognise revenue when the Company satisfies a performance obligation.

The Company satisfies a performance obligation and recognises revenue over time, if of the following criteria is met:

a) The Company performance does not create an asset with an alternative use to the Company

and the Company has an enforceable right to payment for performance completed to date.

b) The Company performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

c) The customer simultaneously receives and consumes the benefits provided by the Company performance as the Company performs.

For performance obligations where none of the above conditions are met, revenue is recognised at the point in time at which the performance obligation is satisfied.

When the Company satisfies a performance obligation by delivering the promised goods or services it creates a contract-based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability.

Other revenue

Other income is recognized when due in the statement of profit or loss.

Expenses

Selling and marketing expenses include any expenses resulting from the Company's efforts in marketing, selling and distribution activities. All other expenses, other than direct costs, are classified as general and administrative expenses. Allocations of common expenses between cost of sales, selling and marketing expenses, and general and administrative expenses, if required, are made on a regular basis.

Dividend

Dividends are recorded in the financial statements in the period approved by the Board of Directors. Final dividends are recorded in the financial statements in the year in which they are approved by the sharholders.

Foreign currencies translation

Foreign currency transactions are translated into Saudi Riyals at the rate of exchange prevailing at the time of the transaction. As for monetary assets and liabilities that are denominated in foreign currencies, they are converted to their equivalent in Saudi riyals at the exchange rates prevailing on that date. Foreign exchange differences are recognized in profit or loss for the current period.

(All amounts expressed in Saudi Riyals unless otherwise stated)

6. PROPERTY, PLANT AND EQUIPMENT, NET

	31 December 2023 SR	31 December 2022 SR
Operating fixed assets (note 6.1)	**10,527,474**	11,115,482
Right of use assets (note 6.2)	**1,387,339**	-
	11,914,813	11,115,482

6.1 Operating Fixed Assets For the year ended December 31, 2023

	Buildings and constructions	Machinery and equipment	Motor vehicles	Furniture and fixtures	Total
Cost:					
At 1 January 2023	**41,164,106**	**1,946,417**	**168,578**	**115,733**	**43,394,834**
Additions	-	-	-	**21,517**	**21,517**
Disposal	-	-	**(48,000)**	**(2,990)**	**(50,990)**
At 31 December 2023	**41,164,106**	**1,946,417**	**120,578**	**134,260**	**43,365,361**
Accumulated depreciation:					
At 1 January 2023	**30,052,038**	**1,946,416**	**168,577**	**112,318**	**32,279,349**
Charge for the year	**604,260**	-	-	**4,280**	**608,540**
Disposal	-	-	**(47,999)**	**(2,003)**	**(50,002)**
At 31 December 2023	**30,656,298**	**1,946,416**	**120,578**	**114,595**	**32,837,887**
Net book value:					
At 31 December 2023	**10,507,808**	**1**	-	**19,665**	**10,527,474**

For the year ended December 31, 2022

	Buildings and constructions	Machinery and equipment	Motor vehicles	Furniture and fixtures	Total
Cost:					
At 1 January 2022	41,164,106	1,946,417	168,578	124,141	43,403,242
Additions	-	-	-	-	-
At 31 December 2022	41,164,106	1,946,417	168,578	124,141	43,403,242
Accumulated depreciation:					
At 1 January 2022	29,423,742	1,943,620	168,577	117,306	31,653,245
Additions	628,301	2,794	-	3,420	634,515
At 31 December 2022	30,052,043	1,946,414	168,577	120,726	32,287,760
Net book value:					
At 31 December 2022	11,112,063	3	1	3,415	11,115,482

(All amounts expressed in Saudi Riyals unless otherwise stated)

6. PROPERTY, PLANT AND EQUIPMENT, NET

6.2 Right of use assets

	2023	2022
	Buildings	
Opening balance	-	-
Addition during the year	**1,426,977**	-
Depreciation for the year	**(39,638)**	-
Closing balance	**1,387,339**	-

7. INTANGIBLE ASSET, GOVERNMENT GRANTS

	2023	2022
Government grant	**171,307,811**	171,307,811
	171,307,811	171,307,811

The government grants represent the lands that have been granted to the company by the government *(note22).*

8. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The following is a summary of investments in equity instruments as at December 31:

			Ownership		Balance as at	
Company name	**Principal activity**	**location**	**2023**	2022	**2023**	2022
National Seed Production Company	Production and trade of seeds and plant tissues and their development	Saudi Arabia	**%2.80**	%2.80	**873,135**	825,600
United Dairy Farms Company	Production and processing of fresh milk and its products	Saudi Arabia	**%8.28**	%8.28	**6,143,914**	600,000
					7,017,049	1,425,600

National Seed Production Company

	2023	2022
Balance at the beginning of the year	**825,600**	825,600
Fair value gain for the year	**47,535**	-
Balance at the end of the year	**873,135**	825,600

United Dairy Farms Company

	2023	2022
Balance at the beginning of the year	**600,000**	600,000
Fair value gain for the year	**5,543,914**	-
Balance at the end of the year	**6,143,914**	600,000

The company's management determined the fair value of investments in the unlisted companies mentioned above on the basis of expected cash flows discounted using a rate based on market interest rates and the risk premium for unlisted securities, which was 14.7%.

The Company has exposure related to credit, market risks and the fair value measurements, for more details refer to note 26.

During the year ended 31 December 2023, the Company has received a dividend of SR 300,000 (2022: SR 300,000) from its investment in the United Dairy Farms Company.

(All amounts expressed in Saudi Riyals unless otherwise stated)

9. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	2023	2022
Trade receivables	**98,000**	1,481,021
Less: provision for impairment of trade receivables (note 9.2)	**(4,000)**	(1,357,021)
Net trade receivable	**94,000**	124,000
Staff receivables	-	886,754
Provision for impairment in staff receivables	-	(786,623)
Value added tax	**814,721**	86,191
Advance contract payments	**256,500**	-
Accrued revenue	**191,037**	-
Prepaid expenses	**110,765**	6,585
Balance at 31 December	**1,467,023**	316,907

9.1 Ageing of Trade Receivables:

	2023	2022
Up to 2 months	**98,000**	124,000
More than one year	-	1,357,021
Balance at December 31	**98,000**	1,481,021

9.2 Movement in provision for impairment of trade receivables is as follows:

	2023	2022
Balance on January 1	**1,357,021**	1,357,021
Charged during the year	-	-
Used during the year	**(1,353,021)**	-
Balance at December 31	**4,000**	1,357,021

10. TERM DEPOSITS

Term deposits are placed with local banks and financial institutions with an original maturity of more than three months from the date of deposit. Balance as of December 31, 2023: 140 million Saudi riyals (2022: nil). These deposits earn commission income ranging from 6.40 to 6.65% (2022: nil) annually.

11. CASH AND CASH EQUIVALENT

	2023	2022
Cash at bank	**2,377,629**	408,906
Short term deposits	**61,000,000**	-
Balance at 31 December	**63,377,629**	408,906

12. SHARE CAPITAL

The share capital of the Company was set at 75,000,000 Saudi Riyals, divided into 7,500,000 shares of equal value. The value of each share is 10 Saudi Riyals fully paid.

on May 7, 2023 (corresponding to Shawwal 17, 1444H), The Company's shareholders have approved the Company's board of directors' recommendation for share capital increase by issuing right issues by SR 225 million, the share capital after the increase be SR 300 million. The Company issue 3 shares for every 1 share, and the Company's shares after this increase be 30 million shares instead of 7,5 million shares. The Company has recognized a transaction cost related to the capital share increase by SR 3,844,135. Also, Company's shareholders have approved the amendments on the Company's bylaw for the related period of Company's share capital increase as mentioned above.

(All amounts expressed in Saudi Riyals unless otherwise stated)

13. STATUTORY RESERVE

In accordance with the regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of the profit for the year to a statutory reserve until it equals to 30% of its share capital. The reserve is not available for distribution to the shareholders of the Company.

14. FAIR VALUE RESERVE

	Note	2023	2022
Financial assets at fair value through OCI reserve	14.1	**5,591,449**	-
		5,591,449	-

14.1 This represents cumulative gain on the equity instruments measured at fair value through other comprehensive income.

15. EMPLOYEE BENEFITS OBLIGATIONS

The scheme provides for employee's terminal benefits for all employees who complete qualifying period of service and are entitled to amounts are mentioned under labor law for each completed year/period of such service.

Annual provision is based on actuarial valuation. The valuation was carried out as of December 31, 2023 by an independent actuary, using the projected unit credit method.

The movement in employees' end-of-service benefit obligations during the year is as follows:

	2023	2022
Balance at 1 January	**506,075**	168,024
Charged during the year to profit or loss		
Current service cost	**151,940**	56,929
Paid during the year	**(245,692)**	-
Charged to the statement of other comprehensive income		
Re-measurement of employee benefits	**(105,431)**	281,122
Paid during the year		-
Balance at 31 December	**306,892**	506,075

Principal actuarial assumptions

The following are the basic actuarial assumptions at the date of the financial statements:

Financial Assumptions	2023	2022
Rate of increase in salary of the employees (short term and long term)	**4.65%**	4.60%
Discount rate	**4.65%**	4.60%
Mortality	**WHO SA 19-75%**	WHO SA 19-75%
Retirement age	**60 years**	60 years

All movements in the end of service benefits liability are recognized in statement of profit or loss except for the actuarial loss which is recognized in other comprehensive income.

(All amounts expressed in Saudi Riyals unless otherwise stated)

15. EMPLOYEE BENEFITS OBLIGATIONS (continued)

The sensitivity of the defined benefit obligation to changes in the weighted average principal assumption is:

	2023	2022
Discount rate: Increase by 0.5%	**295,549**	494,132
Discount rate: Decrease by 0.5%	**319,017**	518,845
Long term salary: Increase by 0.5%	**316,609**	515,131
Long term salary: Decrease by 0.5%	**297,682**	497,593

Expected maturity analysis

Distribution of timing of benefit payments (time in years)	1 year	2 years	3 years	4 years	5 years	6-10 year
At 31 December 2023	**28,723**	**38,191**	**49,278**	**113,714**	**246,118**	**414,787**
At 31 December 2022	11,253	472,542	10,965	12,901	12,738	211,110

16. TRADE AND OTHER PAYABLES

	2023	2022
Trade payables	**3,320,457**	4,356,511
Allowances and remunerations for members of the Board of Directors and other committees	**198,309**	2,511,084
Provision for vacation and tickets	**146,515**	37,936
Advance from lessee	**141,288**	142,315
Accrued professional fees	**78,400**	404,900
Accrued employee related costs	**26,918**	26,918
Accrued GOSI expenses	**19,861**	218,323
Payable to consultation offices	-	1,045,766
Provision of legal cases	-	250,949
Accrued rent	-	85,000
Other	**1,311,809**	1,181,392
Balance at 31 December 2023	**5,243,557**	10,261,094

17. LEASE LIABILITY

	2023	2022
Opening balance	-	-
Addition during the year	**1,426,977**	-
Interest accrued during the year	**5,946**	-
Lease liability settled during the year	**(358,718)**	-
Closing balance	**1,074,205**	-
Less: current portion	**347,555**	-
Non-current portion	**726,650**	-

(All amounts expressed in Saudi Riyals unless otherwise stated)

18. RELATED PARTY TRANSACTIONS AND BALANCES

Transactions with related parties are represented in the transactions with associate companies, non-executive board members and senior management, where senior management officers are considered, persons exercising authority and responsibility in directly or indirectly planning, managing and monitoring the Company's activities, including managers.

Name	**Relationship**
Mr. Mohammed Al-Hujailan	CEO and Managing Director
Mr. Sami Al-A Kuthairi	Shareholder

18.1 Compensation of Key Management Personnel:

Key management personnel comprise all members of the senior management team who have the authority and responsibility to plan, direct and control activities either directly or indirectly.

	2023	2022
Allowances and remunerations for members of the Board of Directors and other committees	**933,309**	456,000
CEO salaries and benefits	**800,000**	700,963

18,2 Due to related parties as at 31 December 2023 as follows:

	2023	2022
Mr. Mohammed Al-Hujailan	-	256,145
Mr. Sami Al-Kuthairi	-	259,718
Due to priority rights holders	**5,272,383**	-
	5,272,383	515,863

19. SHORT TERM LOAN

	2023	2022
Islamic Banking Facilities (Murabaha)	-	16,748,823
	-	16,748,823

19.1 During the year 2018, the Company obtained a credit facility from a local bank in the form of a short-term loan to finance the Company's working capital requirements with a total value of SR 10,000,000 for a period of one year, subject to renewal. These facilities are subject to the prevailing interest rates among Saudi banks (SAIBOR) plus a profit margin of 3% annually. These facilities are guaranteed by the member of the Board of Directors through a continuous guarantee of solidarity, which is irrevocable, in addition to a personal promissory note in favor of the bank. The financing expenses for the year ended December 31, 2023 amounted to SR 653,643 (December 31, 2022: SR 350,141), and during the year 2023, The credit limit has been increased to 20,500,000. The full value of the loan and interest were paid. This loan is compatible with Islamic Sharia ز

20. DIVIDENDS PAYABLE

The amounts of dividends payable to shareholders with a balance of SR 1,358,957 as at 31 December 2023 (31 December 2022: SR 1,359,072) represents dividends payable to shareholders who did not approach banks to receive these dividends pertaining to previous years.

21. ZAKAT

21.1 Status of Zakat assessments

The final assessment was made on the company by the Zakat, Tax and Customs Authority for the periods from 07/31/1991 to 07/31/1994 with a total value of 3,726,232 Saudi riyals for that period. A provision was made for the full value and the company submitted an objection to this assessment.

Zakat returns were submitted for the years 1995 to 2014, with the total value amounting to 5,212,423 Saudi riyals, and a provision was made for the value in the company's books.

(All amounts expressed in Saudi Riyals unless otherwise stated)

21. ZAKAT (continued)

On January 9, 2017, the Zakat, Tax and Customs Authority claimed zakat expenses amounting to 10,318,170 Saudi riyals for the period from 1995 to 2014, so that the total zakat claims by the Authority until 2014 amounted to 19,292,825 Saudi riyals.

The zakat differences described above were objected to as the company submitted the zakat returns for these years and no comments were made on the submitted returns. Some items were objected to and other items were rejected.

A request was filed to appeal the committee's decision, and during the year 2021, the final assessments were issued and were as follows:

Year	SAR
1991	3,762,232
2009	12,035,365
2015	104,589
2017	70,543
Total	**15,972,729**

The Company submitted its zakat returns to the authority for the previous years up to 2022.

The provision for zakat was calculated based on the following:

	2023	2022
Equity according to the Zakat, Tax and Customs Authority	**139,188,600**	142,666,757
Provisions beginning balance and other adjustments	**22,510,999**	37,202,637
Book value of long-term assets	**(181,835,287)**	(182,423,292)
Investments	**(1,425,600)**	(1,425,600)
Adjusted loss for the year	**(352,932)**	(3,189,156)
Zakat base	**(21,914,221)**	(7,168,654)
Total zakat liability for the year	**-**	-

Zakat is due at the rate of 2.5% of the adjusted net profit attributable to shareholders and 2.5% of the zakat base after deducting the adjusted net profit.

The movement in the provision for zakat for the year ended December 31 is as follows:

	2023	2022
Balance at the beginning of the year	**15,995,179**	15,995,179
payment during the year	**(22,450)**	-
Balance at the end of the year	**15,972,729**	15,995,179

(All amounts expressed in Saudi Riyals unless otherwise stated)

22. CONTINGENCIES AND COMMITTEMENTS

Subsequently on August 2, 2022 (with reference to Note 14), the Company has received a decision issued by the Ministry of Environment, Water and Agriculture (the "Ministry") No. 361029/27/1443 issued on Dhu al-Hijjah 1, 1443 H (corresponding to June 30, 2022), in respect to the land's value (Government grant), which was previously classified on December 31, 2022 along with property, plants and equipment as agricultural land (Government Grant) pursuant to Royal Decree No. 1016 dated Jumada Al Thani 3, 1406 AH (corresponding to February 12, 1986), where the Ministry's decision included the following:

1) The land that was allocated in favor of the company, pursuant to Royal Decree No. 1016 dated Jumada Al-Thani 3, 1406 AH (corresponding to February 12, 1986), and the issuance of the ownership decision No. 321450/1062/1441 dated Jumada Al-Awwal 6, 1441 AH (corresponding to January 1, 2020) to own the company an area of 72,178,700 square meters of land handed over to the company has become among the reservations of Saudi Aramco under Royal Decree No. 40008 dated Jumada Al-Thani 28, 1443 AH, and it is not legally possible to issue a deed in the name of the company to conflict with the terms of the concession agreement concluded between the government and Saudi Aramco.
2) The company can benefit from the land until the actual need of Saudi Aramco in it is fulfilled, and then take what is required by law in this regard.
3) In the event that the land or part of it is released by Saudi Aramco in accordance with the necessary regulatory procedures in this regard, the government agencies - each within its jurisdiction - take what is necessary to issue a deed in the name of the company - if it was legally existing at that time on the area of the land or part of it.

In accordance with the above, the company's board of directors is closely following all the recent developments mentioned above regarding the procedures for owning the relevant land, and the delay in issuing the company's title deed for the concerned land, as the company's management believes that according to the above-mentioned items, the company can use of the concerned land and the establishment of its future projects, and it has no monetary impact on the company, (with reference to Note 1) the company reclassified the value of the land previously registered on December 31, 2022 within property, plants, and equipment as agricultural land (government grant) according to the ownership order No. 321450/1062/1441 dated Jumada 6, 1441 AH (corresponding to January 1, 2020) to become among the intangible assets (Government Grant) at the same value. Referring to note (2), The entity did not obtain any information for the expected useful life for the intangible asset (government grant). The company's management believes that the above-mentioned Ministry's decision will not affect the company's future plans.

23. GENERAL AND ADMINISTRATIVE EXPENSES

	2023	2022
Employee salaries and benefits	**3,901,710**	1,366,215
Depreciation	**608,535**	634,514
Allowances and remunerations for members of the Board of Directors and other committees	**933,309**	456,000
Fees and subscriptions	**58,535**	277,816
Professional fees and advice	**207,499**	175,000
Rent	**104,417**	64,923
Maintenance and fuel	**37,478**	30,133
Other	**245,105**	107,351
Total	**6,096,588**	3,111,952

24. OTHER INCOME

	2023	2022
Income from rental of cowsheds	**140,000**	140,000
Revenues from leasing communication towers	**110,000**	110,000
Scrap disposal gains	**19,129**	-
Other	**81,489**	18,560
	350,618	268,560

25. BASIC AND DILUTED EARNINGS

Basic (loss) earnings per share is calculated by dividing the net (loss) profit for the year by the weighted average number of ordinary shares outstanding during the year.

Diluted (loss) earnings per share is calculated by dividing the net (loss) profit for the year by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The weighted average number of shares has been retrospectively adjusted for the prior year to reflect the element of the rights issue as required by IAS 33, "Earnings per share" as follows:

	2023	2022
Issued ordinary shares as of 1 January	**7,500,000**	7,500,000
Adjusted rights issue/bonus element	**15,946,154**	5,700,000
Weighted average number of ordinary shares	**23,446,154**	13,200,000

The weighted average number of ordinary shares for the prior year is computed using an adjustment factor of 1.76 which is a ratio of the theoretical ex-right price of SR 10 and the closing price per share of SR 23.52 per share on 11 May 2023, the last day on which the shares were traded before the rights issue.

The basic and diluted loss per share are as follows:

	2023	2022
Net loss for the period	**(185,743)**	(3,197,035)
Weighted average number of ordinary shares	**23,446,154**	13,200,000
Basic and diluted earnings per share (restated)	**(0.008)**	(0.242)

26. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks such as market risk (including currency risk, fair value risk, cash flow interest rate and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to limit potential negative effects on the Company's financial performance.

Market risk

It is the risk that the fair value or future cash flows of financial instruments will fluctuate as a result of changes in market prices. Market risk consists of three types of risk which are interest rate risk, currency risk and other price risk.

Fair value and interest rate cash flow risks

The fair value and cash flow interest rate risks are the exposure to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial position and cash flows. The Company's interest rate risk arises from loans that are at floating interest rates and are subject to regular re-pricing. Management monitors changes in interest rates.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The principal transactions of the Company are in Saudi Riyals and US Dollars. The Company's management monitors these fluctuations and manages their impact on the financial statements accordingly.

(All amounts expressed in Saudi Riyals unless otherwise stated)

26. FINANCIAL RISK MANAGEMENT (continued)

Interest rate risks

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in interest rates prevailing in the market. The Company is subject to interest rate obligations, including term loans.

The following table shows the sensitivity to a reasonably possible change in interest rates on variable rate loans with all other variables held constant on the Company's profits as at 31 December 2023.

Credit risk

Credit risk is the risk that one party will not be able to meet its obligations and will result in the other party incurring a financial loss. The Company does not have significant concentrations of credit risk. To reduce exposure to credit risk, the Company has established formal credit procedures under which credit limits are applied to its customers. The management also monitors exposure to credit risk towards customers, and establishes a provision against those balances whose recovery is doubtful. To mitigate risk, the Company has a system in place to set credit limits for its customers based on a comprehensive assessment based on information about the customer and past payment records. The customer's outstanding receivables are monitored on a regular basis. Some customers are also secured, where possible, by internal letters of credit, cash security deposits, bank guarantees and insurance guarantees.

Liquidity risks

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. These conditions indicate that the Company may face problems in meeting its obligations as they become due and to continue as a going concern, and these are dependent upon the Company's ability to arrange adequate funds in a timely manner. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are made available to meet any future commitments.

Following table represents the maturity profiles of the financial assets and financial liabilities.

As at 31 December 2023

	0-12 months	1-3 years	3-5 years	More than 5 years	Total
Financial assets	**SAR**	**SAR**	**SAR**	**SAR**	**SAR**
Cash and cash equivalents	**63,377,629**	-	-	-	**63,377,629**
Investment at FVTOCI	-	**7,017,049**	-	-	**7,017,049**
Trade receivables	**140,000,000**	-	-	-	**140,000,000**
Advances and other debit balances	**7,017,049**	-	-	-	**7,017,049**
Total financial assets	**210,394,678**	**7,017,049**	-	-	**217,411,727**
Financial liabilities					
Short term loan	-	-	-	-	-
Trade and other payables	5,243,557	-	-	-	5,243,557
Due to related parties	5,272,383	-	-	-	5,272,383
Total - financial liabilities	**10,515,940**	-	-	-	**10,515,940**

(All amounts expressed in Saudi Riyals unless otherwise stated)

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

As at 31 December 2022

	0-12 months	1-3 years	3-5 years	More than 5 years	Total
Financial assets	SAR	SAR	SAR	SAR	SAR
Cash and cash equivalents	408,906	-	-	-	408,906
Investment at FVOCI	-	1,425,600	-	-	1,425,600
Trade receivables	1,481,021	-	-	-	1,481,021
Advances and other debit balances	886,754	-	-	-	886,754
Total financial assets	2,776,681	1,425,600	-	-	4,202,281
Financial liabilities					
Short term loan	16,748,823	-	-	-	16,748,823
Trade and other payables	10,261,094	-	-	-	10,261,094
Due to related parties	515,863	-	-	-	515,863
Total - financial liabilities	27,525,780	-	-	-	27,525,780

27. SHARE CAPITAL MANAGEMENT

The Company manages its capital to ensure its ability to continue as a going concern while maximizing the return to stakeholders. The Company's capital structure consists of shareholders' equity, which includes capital and retained earnings.

28. COMPARATIVE FIGURES

The previous year's figures have been reclassified and/or reclassified, as necessary, for the purpose of better presentation to match the presentation of comparative figures in the financial statements with the current presentation. The reclassifications made in the financial statements were as follows:

29. SUBSEQUENT EVENTS

Later, on February 20, 2024, the company's management established Sadu Al Arab Trading Company, a company wholly owned by the Eastern Development Company, for the purposes of investing in activities related to food security and logistics services.

30. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the board of directors on March, 24,2024 (corresponding to Ramadan,14 ,1445H).