SAUDI INDUSTRIAL DEVELOPMENT COMPANY
(SIDC)
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023

BDO الدكتور محمد العمري وشركاه
Dr. Mohamed Al-Amri & Co.

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**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
SAUDI INDUSTRIAL DEVELOPMENT COMPANY (SIDC)
SAUDI JOINT STOCK COMPANY
JEDDAH - KINGDOM OF SAUDI ARABIA**

Opinion

We have audited the consolidated financial statements of Saudi Industrial Development Company (SIDC)- A Saudi Joint Stock Company ("the Company") and its Subsidiaries ("the Group''), which comprise of the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements from (1) to (33), including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed 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 Consolidated Financial Statements"* section of our report. We are independent of the Group in accordance with professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern

We would like to draw attention to note (2.3) to the accompanying consolidated financial statements, which indicates that the Group has incurred a net loss of SAR 74.4 million for the year ended 31 December 2023 resulting in accumulated losses of SAR 267.7 million as at 31 December 2023, as well as a net unrealized loss resulting from foreign currency translation reserves and other reserves of SAR 34.3 million. In addition, the Group's current liabilities exceeded its current assets by SAR 16.5 million as at 31 December. The Group relies mainly on the successful implementation of the Group's business plans to generate sufficient cash flows to enable it to meet its obligations when it become due and continue its operations without material curtailment. As explained with more detail in Note No. (2.3), these event and conditions indicate the existence of a material uncertainty that may raise doubts about the Group's ability to continue its operations. Our opinion is unmodified with respect to this matter.

Key audit matters

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

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Independent Auditor's Report to the Shareholders of Saudi Industrial Development Company (SIDC) (A Saudi Joint Stock Company) Jeddah - Kingdom of Saudi Arabia (Continued)

Key Audit Matters (Continued)

Revenue recognition	
Key audit matters	**How the matter was addressed in our audit**
The Group has recognized operating income of SR 150.9 million as at 31 December 2023 (31 December 2022: SR 155.3 million). The Group recognizes revenue at the time that control of the goods is transferred to the customer, generally upon delivery of the goods. Revenue is considered as a key audit matter because it is the main account in the consolidated financial statements and its a performance measurement of the company as management is required to establish the fact that control of the goods has been transferred at the time of delivery in accordance with IFRS 15 "Revenue from Contracts with Customers". Refer to note 3.16 for the accounting policy and note 22 for the relevant disclosures.	The audit procedures for assessing revenue recognition include the following: • Evaluation of the Group policy in the recognition of revenue in accordance with the requirements of International Financial Reporting Standard (15) "Revenue from contracts with customers". • Testing a sample of sales and matching it with sales invoices, sales orders and other relevant documents. In addition to the samples selected, we have verified that revenue is recognized on delivery in accordance with IFRS 15. • Testing a sample of the revenues that took place before and after the end of the year and matching the period in which the revenue is recognized with the documents of external parties such as the transport invoice and the customer's confirmation of receipt the goods. • Assessing the adequacy of the relevant disclosures.

Inventory Valuation	
Key audit matters	**How the matter was addressed in our audit**
As at December 31, 2023, the Group's inventory balance amounting to SR 32 million (December 31, 2022: SR 37,3 million), after deducting the inventory impairment with the amount of SR 15.7 million (December 31, 2022: SR 6.9 million). Inventory is included at cost or net realizable value, whichever is lower. At each report date, the management reviews the inventory valuation and reduces the cost of the inventory expected to be sold with less than the cost. We have considered this as a key audit matter due to the key assumptions applied by management in determining the slow-moving inventory provision and to record the inventory at it's net realizable value. Refer to note 3.11 for accounting policy and note 10 for related disclosures.	The audit procedures to determine the evaluation of inventory include the following: • Assess the appropriateness of the Group's accounting policies to evaluate the inventory and measuring it in line with the requirements of the relevant accounting standard. • Test the net realizable value on a sample basis by comparing the cost with the estimated selling price, less the estimated cost to sell and any other costs required to complete the sale. • Assess the adequacy of the slow-moving inventory provision. • Assessing the adequacy of the relevant disclosures.

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Independent Auditor's Report to the Shareholders of Saudi Industrial Development Company (SIDC) (A Saudi Joint Stock Company) Jeddah - Kingdom of Saudi Arabia (Continued)

Other information included in the Group's 2023 annual report

Other information consists of the information included in the Group's 2023 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. 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 to Those Charged with Governance. We have nothing to report in this regard.

Responsibilities of management and Those Charged with Governance for the consolidated financial statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 consolidated 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:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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Independent Auditor's Report to the Shareholders of Saudi Industrial Development Company (SIDC) (A Saudi Joint Stock Company) Jeddah - Kingdom of Saudi Arabia (Continued)

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current 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 BDO Dr. Mohamed Al-Amri & Co

Maher Al-Khatib
Certified Public Accountant
Registration No. 514

25/09/1445 (H)
04/04/2024 (G)

SAUDI INDUSTRIAL DEVELOPMENT COMPANY (SIDC)
SAUDI JOINT STOCK COMPANY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023
(Saudi Riyal)

	Note	2023	2022
ASSETS			
NON-CURRENT ASSETS			
Property, plant, and equipment	5	**44,445,430**	68,987,803
Goodwill	6	**32,356,409**	62,356,409
Right of use assets	7	**10,831,484**	8,802,350
Intangible assets	8	**70,969**	135,941
Financial assets at fair value through other comprehensive income (FVOCI)	9	**55,703,687**	52,249,785
TOTAL NON-CURRENT ASSETS		**143,407,979**	192,532,288
CURRENT ASSETS			
Inventory	10	**31,964,050**	37,277,241
Other current assets	11	**4,284,191**	4,910,515
Trade receivables	12	**15,289,544**	14,261,168
Financial assets at fair value through profits or losses	13	**3,987,304**	9,250,389
Assets Held for Sale	5 (E)	**-**	875,945
Cash and cash equivalents	14	**7,166,986**	17,251,994
TOTAL CURRENT ASSETS		**62,692,075**	83,827,252
TOTAL ASSETS		**206,100,054**	276,359,540
EQUITY AND LIABILITIES			
EQUITY			
Share capital	1	**400,000,000**	400,000,000
Foreign currency translation reserve	15	**(45,146,685)**	(41,878,370)
Fair value change reserve of investments	9 (D)	**8,327,252**	(130,865,504)
Re-measurement reserve of defined benefit obligations		**2,560,567**	2,855,501
Accumulated losses		**(267,662,464)**	(63,203,294)
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY		**98,078,670**	166,908,333
Non-controlling interest	16	**6,678,512**	8,088,416
TOTAL EQUITY		**104,757,182**	174,996,749
NON-CURRENT LIABILITIES			
Employee benefit obligations	17	**14,484,735**	13,786,735
Lease liabilities - non-current portion	7	**7,235,407**	5,474,843
Deferred tax liabilities		**427,738**	528,620
TOTAL NON-CURRENT LIABILITIES		**22,147,880**	19,790,198
CURRENT LIABILITIES			
Zakat and income tax payable	18	**6,015,800**	5,630,699
Accrued expenses and other current liabilities	19	**14,380,952**	12,995,516
Lease liabilities - current portion	7	**2,915,633**	5,414,073
Underwriting surplus	20	**6,350,898**	6,350,898
Credit facilities	21	**22,095,729**	25,218,180
Trade payable		**27,435,980**	25,963,227
TOTAL CURRENT LIABILITIES		**79,194,992**	81,572,593
TOTAL LIABILITIES		**101,342,872**	101,362,791
TOTAL EQUITY AND LIABILITIES		**206,100,054**	276,359,540

Finance Manager	Deputy Chairman and managing director
Name: Mr. Ahmed Shitaiwi	Name: E. Bandar ALhomaidhi
Signature:	Signature:

The attached notes 1 to 33 form an integral part of these consolidated financial statements

SAUDI INDUSTRIAL DEVELOPMENT COMPANY (SIDC)
SAUDI JOINT STOCK COMPANY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023
(Saudi Riyal)

	Note	2023	2022
Revenue	22	**150,945,257**	155,347,238
Cost of revenue	23	**(122,164,644)**	(133,283,043)
Gross profit		**28,780,613**	22,064,195
Selling and distribution expenses	24	**(18,970,609)**	(19,150,347)
General and administrative expenses	25	**(32,493,711)**	(33,394,104)
Impairment of Goodwill	6	**(30,000,000)**	-
Impairment of property, plant and equipment	5 (D)	**(16,366,947)**	(3,106,290)
Impairment of Current Assets	26	**(9,467,504)**	(8,276,646)
Loss from operations		**(78,518,158)**	(41,863,192)
Realized gain from financial assets at fair value through profit or loss		**2,223,586**	-
Unrealized (loss) / gain from the financial assets at fair value through profit or loss	13	**(301,604)**	990,478
Dividends from the financial assets at fair value		**1,114,517**	1,325,076
Finance cost	27	**(1,964,410)**	(1,350,469)
Other income	28	**6,635,319**	3,318,322
Net Loss before zakat and income tax		**(70,810,750)**	(37,579,785)
(Zakat during the year) / reversal	18	**(713,637)**	537,004
income tax and Deferred tax	18	**(1,373,047)**	(1,103,993)
Net Loss for the year		**(72,897,434)**	(38,146,774)
Loss attributable to:			
Parent Company shareholders		**(74,439,441)**	(38,772,314)
Non-controlling interest		**1,542,007**	625,540
		(72,897,434)	(38,146,774)
Other Comprehensive income items:			
Items that are classified subsequently to the statement of profit or loss:			
Changes in foreign currency translation reserve	15	**(3,268,315)**	(9,636,765)
Items that are non-classified subsequently to the consolidated statement of profit or loss:			
Realized profits from financial assets at fair value through other comprehensive income	9	**2,880,271**	23,049,107
Unrealized profits / (losses) from financial assets at fair value through other comprehensive income	9	**6,292,756**	(14,641,671)
Re-measurement of employee defined benefits' liabilities		**(246,845)**	3,034,689
Total comprehensive income		**5,657,867**	1,805,360
Net comprehensive Loss for the year		**(67,239,567)**	(36,341,414)
Net comprehensive (Loss) /income attributable to:			
Parent Company shareholders		**(68,829,663)**	(37,103,880)
Non-controlling interest		**1,590,096**	762,466
		(67,239,567)	(36,341,414)
Loss per share			
The weighted average number of shares	29	**40,000,000**	40,000,000
Loss per share from operations	29	**(1.96)**	(1.05)
Loss for the year attributable to shareholders (Basic and diluted)	29	**(1.86)**	(0.97)

Finance Manager
Name: Mr. Ahmed Shitaiwi
Signature:

Deputy Chairman and managing director
Name: E. Bandar ALhomaidhi
Signature:

The attached notes 1 to 33 form an integral part of these consolidated financial statements

SAUDI INDUSTRIAL DEVELOPMENT COMPANY (SIDC)
SAUDI JOINT STOCK COMPANY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023
(Saudi Riyal)

	Share Capital	Foreign currencies translation reserve	Fair value change reserve of investments	Re-measurement reserve of defined benefit obligations	Accumulated Losses	Total equity attributable to shareholders of the Parent Company	Equity for non-controlling interests	Total Equity
Balance at 1 January 2022	400,000,000	(32,241,605)	(116,223,833)	(42,262)	(47,480,087)	204,012,213	7,325,950	211,338,163
Net loss for the year	-	-	-	-	(38,772,314)	(38,772,314)	625,540	(38,146,774)
Other comprehensive income	-	(9,636,765)	(14,641,671)	2,897,763	23,049,107	1,668,434	136,926	1,805,360
Total comprehensive loss	-	(9,636,765)	(14,641,671)	2,897,763	(15,723,207)	(37,103,880)	762,466	(36,341,414)
Balance at 31 December 2022	400,000,000	(41,878,370)	(130,865,504)	2,855,501	(63,203,294)	166,908,333	8,088,416	174,996,749
Balance at 1 January 2023	**400,000,000**	**(41,878,370)**	**(130,865,504)**	**2,855,501**	**(63,203,294)**	**166,908,333**	**8,088,416**	**174,996,749**
Net loss for the year	**-**	**-**	**-**	**-**	**(74,439,441)**	**(74,439,441)**	**1,542,007**	**(72,897,434)**
Other comprehensive income	**-**	**(3,268,315)**	**6,292,756**	**(294,934)**	**2,880,271**	**5,609,778**	**48,089**	**5,657,867**
Total comprehensive loss	**-**	**(3,268,315)**	**6,292,756**	**(294,934)**	**(71,559,170)**	**(68,829,663)**	**1,590,096**	**(67,239,567)**
Transfer from the reserve change in the fair value of investments to accumulated losses	**-**	**-**	**132,900,000**	**-**	**(132,900,000)**	**-**	**-**	**-**
Net change in non-controlling interest	**-**	**-**	**-**	**-**	**-**	**-**	**(3,000,000)**	**(3,000,000)**
Balance at 31 December 2023	**400,000,000**	**(45,146,685)**	**8,327,252**	**2,560,567**	**(267,662,464)**	**98,078,670**	**6,678,512**	**104,757,182**

Finance Manager

Name: Mr. Ahmed Shitaiwi
Signature:

Deputy Chairman and managing director

Name: E. Bandar ALhomaidhi
Signature:

The attached notes 1 to 33 form an integral part of these consolidated financial statements

SAUDI INDUSTRIAL DEVELOPMENT COMPANY (SIDC)
SAUDI JOINT STOCK COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023
(Saudi Riyal)

	Note	2023	2022
Cash flows from operating activities:			
Net Loss before zakat and income tax		**(70,810,750)**	(37,579,785)
Depreciation of right of use assets	7	**4,109,454**	5,579,346
Depreciation of property, plant and equipment	5	**11,713,387**	10,547,145
Amortization of intangible assets	8	**64,972**	93,074
Impairment of property, plant and equipment	5	**16,366,947**	3,106,290
Profits from sale of property, plant and equipment	28	**(131,441)**	(21,724)
Impairment of Goodwill	6	**30,000,000**	-
Unrealized loss /(gain) from the financial assets at fair value through profit or loss	13	**301,604**	(990,478)
Realized (gain) from financial assets at fair value through profit or loss		**(2,223,586)**	-
Amortization of Advance payments on operating lease		**-**	110,021
Impairment of inventory	10	**8,844,515**	6,854,576
(Reversal) / Impairment of trade receivables	12	**(514,298)**	1,422,070
Impairment of Other current assets	11	**261,342**	-
Impairment of Assets Held for Sale	5 (E)	**875,945**	-
Write-off of employee benefit obligations	17	**-**	(50,895)
Employee benefit obligations provision	17	**2,505,497**	2,428,317
Finance costs	27	**1,964,410**	915,161
Write-off of Credit facilities	28	**(3,942,902)**	-
Adjustment in Lease liabilities		**(537,687)**	-
Changes in operating assets and liabilities:			
Trade receivable	12	**(514,078)**	2,048,224
Inventory	10	**(3,531,324)**	1,301,329
Other current assets	11	**364,982**	(236,868)
Trade payables		**1,472,753**	(3,247,162)
Deferred tax liabilities		**(100,882)**	(254,349)
Accrued expenses and other current liabilities	19	**(1,357,020)**	(155,331)
Finance cost paid		**(2,243,423)**	-
Cash used in operating activities		**(7,061,583)**	(8,131,039)
Zakat and income tax paid	18	**(1,684,456)**	(1,957,465)
Employee benefits paid	17	**(2,054,342)**	(1,659,030)
Net cash used in operating activities		**(10,800,381)**	(11,747,534)
Cash flows from Investing activities			
Purchase of Property, plant, and equipment	5	**(4,593,017)**	(2,514,125)
Proceed from sale Property, plant, and equipment		**218,879**	31,687
Net Changes in financial assets at fair value		**12,904,192**	32,088,147
Net cash generated from investing activities		**8,530,054**	29,605,709
Cash flows from Financing activities			
Proceed from Credit facilities	21	**1,500,000**	-
Lease liabilities paid	7	**(3,971,572)**	(5,466,396)
Net cash used in financing activities		**(2,471,572)**	(5,466,396)
Net change in cash and cash equivalents		**(4,741,899)**	12,391,779
Cash and cash equivalents at beginning of the year	14	**17,251,994**	11,820,045
Foreign currency translation differences		**(5,343,109)**	(6,959,830)
Cash and cash equivalents at end of the year	14	**7,166,986**	17,251,994
Significate Non-cash Transaction			
Transfer from the reserve change in the fair value of investments to accumulated losses	9	**132,900,000**	-
payment of outstanding credit facilities through financing	21	**20,000,000**	-
Unrealized gain / (loss) from financial assets at fair value through Other Comprehensive Income to accumulate losses	9	**6,292,756**	(14,641,671)
Additions to right-of-use assets and Lease liabilities	7	**6,029,649**	3,685,064
Transfer from lease liabilities to accrued expenses	7	**2,742,456**	-
Realized gain classified from financial assets at fair value through Other Comprehensive Income to accumulate losses	9	**2,880,271**	23,049,107
Purchase of financial assets at fair value through other comprehensive income through credit facilities	21	**-**	20,000,000
Transfers from property, plant and equipment to assets held for sale	5	**-**	875,945

Finance Manager	Deputy Chairman and managing director
Name: Mr. Ahmed Shitaiwi	Name: E. Bandar Alhomaidhi
Signature:	Signature:

The attached notes 1 to 33 form an integral part of these consolidated financial statements

(Saudi Riyal)

1. CORPORATE INFORMATION

Saudi Industrial Development Company (SIDC) ("the Parent Company") was established in the Kingdom of Saudi Arabia as a Saudi joint stock Company pursuant to the decision of the Minister of Commerce No. 673 dated 14 December 1992 (corresponding to 20 Jumada Al-Thani 1413 H,). The Company obtained its Commercial Registration No. 4030092792, which is issued in Jeddah on 1 January 1993 (corresponding to 17 Rajab 1413 H).

The Company authorized, issued, and fully paid share capital is SAR 400 million which is divided into 40 million shares stated at SAR 10 each (2022: 40 million shares stated at SAR 10 each).

The Company's activities represent the manufacture of sanitary ware from plastics, including (washing basins, showers, toilets ... etc.), and the manufacture of sponge products.

The consolidated financial statements consist of the financial statements of the Saudi Industrial Development Company (SIDC) (the "parent company") and its branches and subsidiaries, all referred to as (the "Group"). As mentioned in note (3-2) of these consolidated financial statements, the Group's subsidiaries and main activities along with the share were disclosed.

The registered address of the company is on Prince Mohammed bin Abdulaziz Street in Al Faisaliah district in Jeddah, Saudi Arabia.

The financial year of the company starts from the beginning of January of each calendar year and ends by the end of December of the same year.

The ordinary shares of the parent company are listed on the stock market of the kingdom of Saudi Arabia "Tadawul" under the number 2130.

Branches of the company in the kingdom of Saudi Arabia:

City	Commercial Registration number	Commercial Registration date	The activity
1- Yanbu	4700005290	9 Jumada Al-Awwal 1416H corresponding to (October 3, 1995)	The manufacture of sanitary supplies stems from plastics, including (wash basins, showers and toilets ...Etc.)
2- Riyadh	1010480324	27 Rabi Al-Awwal 1440H corresponding to (December 5, 2018)	Manufacture of sponge products, Manufacture of furniture and furniture from wood, furniture upholstery, detailing of mattresses of various types, wholesale of sanitary ware and its extensions, heaters and water tanks, retail sale of blankets, sheets, linens and bedspreads, retail sale of sanitary ware and its extensions such as washbasins, chairs, sinks ... Etc. devices for saunas.

The financial year of the parent company begins on the first of January and ends at the end of December of each year.

2. BASIS OF PREPARATION

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Auditors and Accountants.

The consolidated financial statements have been prepared on a historical cost basis except for financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss that are measured at fair value and employee benefit obligations where the actuarial's present value calculations are used.

2. BASIS OF PREPARATION (Continued)

2.2 Functional and presentation currency

The consolidated financial statements are prepared in Saudi riyals (SAR), which represent the Company's functional and reporting currency.

2.3 Continuity of the group and accumulated losses

The Group incurred a net loss of SAR 74.4 million for the year ended December 31, 2023 (year ended December 31, 2022: net loss of SAR 38.8 million), resulting in accumulated losses of SAR 267.7 million as at 31 December 2023, representing 67% of the capital, and the Group has a net unrealized loss resulting from foreign currency translation and other reserves of SAR 34.3 million. In addition, the Group's current liabilities exceeded its current assets by SAR 16.5 million as at 31 December 2023.

The management of the Group has made an assessment of its financial performance and working capital for the coming period and is convinced that it has the necessary resources to continue its business and will be able to achieve sufficient cash flows so that it can meet its obligations on time during the next twelve months from the date of these consolidated financial statements.

The following are the main actions that management took into account when processing financial performance and working capital:
* The Group's ability to meet its business plan and operational expectations for 2024.
* Renew renewable facilities when due.

Furthermore, management has no knowledge of any other material uncertainty that may raise doubts about the Group's ability to continue in accordance with the going concern basis. Accordingly, these consolidated financial statements have been prepared on the going concern basis.

3. MATERIAL ACCOUNTING POLICY INFORMATION

3.1 STANDARDS, INTERPRETATIONS, AND AMENDMENTS TO EXISTING STANDARDS

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

a) New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early. The most significant of these are as follows:

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.1 STANDARDS, INTERPRETATIONS, AND AMENDMENTS TO EXISTING STANDARDS (Continued)

a) New standards, interpretations and amendments not yet effective (Continued)

IFRS	Summary	Effective date
Lease Liability in a Sale and Leaseback (Amendment to IFRS 16)	The IFRS Interpretations Committee issued an agenda decision in June 2020 – Sale and leaseback with Variable Payments. This matter was referred to the IASB for standard setting for some aspects. The IASB issued the final amendments in September 2022. The Amendments provide a requirement for the seller-lessee to determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use retained by the seller-lessee.	1 January 2024
Supplier Financing Arrangements (Amendment to IAS 7 and IFRS 7)	On 25 May 2023, the IASB issued Supplier Finance Arrangements, which amended IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures (the Amendments). These Amendments arose as a result of a submission received by the IFRS Interpretations Committee (the Committee) about the presentation requirements for liabilities and associated cash flows arising out of supply chain financing arrangements and related disclosures. In December 2020, the Committee published an Agenda Decision Supply Chain Financing Arrangements—Reverse Factoring that addressed this submission based on the requirements in IFRS Accounting Standards existing at that time. During this process, the feedback from stakeholders indicated limitations of the then existing requirements to address important information needs of users to understand the effects of supplier finance arrangements on an entity's financial statements and to compare one entity with another. In response to this feedback, the IASB undertook a narrow-scope standard setting, leading to the Amendments. The Amendments require entities to provide certain specific disclosures (qualitative and quantitative) related to supplier finance arrangements. The Amendments also provide guidance on characteristics of supplier finance arrangements.	1 January 2024

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3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.1 STANDARDS, INTERPRETATIONS, AND AMENDMENTS TO EXISTING STANDARDS (Continued)

a) New standards, interpretations and amendments not yet effective (Continued)

IFRS	Summary	Effective date
Amendment – Non-current Liabilities with Covenants (Amendment to IAS 1)	Subsequent to the release of amendments to IAS 1 Classification of Liabilities as Current or Non-Current, the IASB amended IAS 1 further in October 2022. If an entity's right to defer is subject to the entity complying with specified conditions, such conditions affect whether that right exists at the end of the reporting period, if the entity is required to comply with the condition on or before the end of the reporting period and not if the entity is required to comply with the conditions after the reporting period. The amendments also provide clarification on the meaning of 'settlement' for the purpose of classifying a liability as current or non-current.	1 January 2024
Classification of Liabilities as Current or non-Current (Amendment to IAS 1)	The IASB issued amendments to IAS 1 - Classification of Liabilities as Current or Non-current in January 2020, which have been further amended partially by amendments Non-current Liabilities with Covenants issued in October 2022. The amendments require that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement for at least twelve months after the reporting period. As a result of the COVID-19 pandemic, the Board deferred the effective date of the amendments by one year to annual reporting periods beginning on or after 1 January 2024.	1 January 2024
Lack of Exchangeability (Amendment to IAS 21)	On 15 August 2023, the IASB issued Lack of Exchangeability which amended IAS 21 The Effects of Changes in Foreign Exchange Rates (the Amendments). The Amendments arose as a result of a submission received by the IFRS Interpretations Committee (the Committee) about the determination of the exchange rate when there is a long-term lack of exchangeability. IAS 21, prior to the Amendments, did not include explicit requirements for the determination of the exchange rate when a currency is not exchangeable into another currency, which led to diversity in practice. The Committee recommended that the IASB develop narrow-scope amendments to IAS 21 to address this issue. After further deliberations, the IASB issued an exposure draft of the proposed amendments to IAS 21 in April 2021 and the final amendments were issued in August 2023. The Amendments introduce requirements to assess when a currency is exchangeable into another currency and when it is not. The Amendments require an entity to estimate the spot exchange rate when it concludes that a currency is not exchangeable into another currency.	1 January 2025

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3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.1 STANDARDS, INTERPRETATIONS, AND AMENDMENTS TO EXISTING STANDARDS (Continued)

b) New standards, interpretations and amendments effective in the current year (Continued)

IFRS	Summary	Effective date
IFRS 17 Insurance Contracts	IFRS 17 introduces an internationally consistent approach to the accounting for insurance contracts. Prior to IFRS 17, significant diversity has existed worldwide relating to the accounting for and disclosure of insurance contracts, with IFRS 4 permitting many previous (non-IFRS) accounting approaches to continue to be followed. IFRS 17 will result in significant changes for many insurers, requiring adjustments to existing systems and processes. The new standard takes the view that insurance contracts combine features of a financial instrument and a service contract, and that many generate cash flows that vary substantially over time. It therefore takes the approach of: • Combining current measurement of future cash flows with recognising profit over the period that services are provided under the contract • Presenting insurance service results (including insurance revenue) separately from insurance finance income or expenses, and • Requiring an entity to make an accounting policy choice for each portfolio whether to recognise all insurance finance income or expenses for the reporting period in profit or loss, or to recognise some in other comprehensive income. Subsequent to the issue of IFRS 17, amendments to the standard and deferral of effective dates have been made.	1 January 2023
Disclosure of Accounting Policies (Amendment to IAS 1 and IFRS Practice Statement 2)	In February 2021, the IASB issued amendments to IAS 1, which change the disclosure requirements with respect to accounting policies from 'significant accounting policies' to 'material accounting policy information'. The amendments provide guidance on when accounting policy information is likely to be considered material. The amendments to IAS 1 are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted. As IFRS Practice Statements are non-mandatory guidance, no mandatory effective date has been specified for the amendments to IFRS Practice Statement 2.	1 January 2023
Definition of Accounting Estimates (Amendments to IAS 8)	In February 2021, the IASB issued amendments to IAS 8, which added the definition of Accounting Estimates in IAS 8. The amendments also clarified that the effects of a change in an input or measurement technique are changes in accounting estimates, unless resulting from correction of prior period errors.	1 January 2023

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3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.1 STANDARDS, INTERPRETATIONS, AND AMENDMENTS TO EXISTING STANDARDS (Continued)

b) New standards, interpretations and amendments effective in the current year (Continued)

IFRS	Summary	Effective date
Deferred tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	In May 2021, the IASB issued amendments to IAS 12, which clarify whether the initial recognition exemption applies to certain transactions that result in both an asset and a liability being recognized simultaneously (e.g., a lease in the scope of IFRS 16). The amendments introduce an additional criterion for the initial recognition exemption under IAS 12.15, whereby the exemption does not apply to the initial recognition of an asset or liability which at the time of the transaction, gives rise to equal taxable and deductible temporary differences.	1 January 2023
International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12)	In December 2021, the Organization for Economic Co-operation and Development (OECD) published Tax Challenges Arising from the Digitalization of the Economy – Global Anti-Base Erosion Model Rules (Pillar Two): Inclusive Framework on BEPS (Pillar Two model rules). In March 2022, the OECD released commentary and illustrative examples that elaborate on the application and operation of the rules and clarify certain terms. Stakeholders raised concerns with the IASB about the potential implications on income tax accounting, especially accounting for deferred taxes, arising from the Pillar Two model rules. The stakeholders emphasized an urgent need for clarity given the imminent enactment of tax law to implement the rules in some jurisdictions. In response to stakeholder concerns, the IASB proposed amendments to IAS 12 Income Taxes. It issued Exposure Draft International Tax Reform—Pillar Two Model Rules (Proposed Amendments to IAS 12) on 9 January 2023. Given the urgent requirement for clarity, a shorter comment period of 60 days was provided. The IASB issued the final Amendments (the Amendments) International Tax Reform – Pillar Two Model Rules on 23 May 2023. The Amendments introduce a temporary exception to entities from the recognition and disclosure of information about deferred tax assets and liabilities related to Pillar Two model rules. The Amendments also provide for additional disclosure requirements with respect to an entity's exposure to Pillar Two income taxes.	1 January 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Basis of consolidation

The consolidated financial statements include statements of the Company and its Subsidiary ("the Group''). Control is achieved when the Group is exposed, or has rights, to variable returns from its transactions with the investee and has the ability to affect those returns through exercising its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its transactions with the investee.
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has control over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and, other components of equity, while any resultant gain or loss is recognized in the consolidated statement of comprehensive income. Any investment retained is recognized at fair value.

The following subsidiaries that are directly or indirectly owned by more than 50% and/or over which the company is able to exercise control are consolidated in these consolidated financial statements based on the financial statements of the subsidiaries.

Below are the details of the subsidiary:

Company Name	Country of incorporation	The activity	The ownership ratios of direct and indirect
SIDC Commercial Investment (Limited liability company)	Kingdom of Saudi Arabia	wholesale and retail trade in cement, gypsum and natural marble. The company has not been active during the current year.	100%
SIDC Projects Investment (Limited liability company)	Kingdom of Saudi Arabia	sales agents for furniture and household goods, wholesale of blankets, ready-made linens and bedspreads, wholesale of home furniture and furniture, retail sale of blankets, sheets, linens and bedspreads, retail sale of home furniture, management and rental of owned or leased real estate (Residential), Management and rental of owned or leased real estate (non-residential).	100%
Arabian Co. For Manufacturing Sponges & Springs Mattresses Ltd. (Sleep High Egypt) (Limited liability company)	Arab Republic of Egypt	Manufacture of sist and sponge mattresses.	100%
Global Marketing Company for Sleeping System Ltd. (Sleep High) (Limited liability company)	Kingdom of Saudi Arabia	The manufacture of sponge products, the manufacture of furniture and furniture from wood, furniture upholstery, the tailoring of mattresses (Mattresses) of various types.	100%
Emmdad Logistic Services Company (Limited liability company)	Kingdom of Saudi Arabia	Road transport of goods, transportation of goods and equipment (heavy transport).	50%

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Basis of consolidation (Continued)

Direct and indirect ownership ratios in the group's subsidiaries:

Company Name	The ownership ratios of direct	The ownership ratios of indirect
SIDC Commercial Investment (Limited liability company)*	**100%**	-
SIDC Projects Investment (Limited liability company)	**95%**	5% owned by SIDC Commercial Investment
Global Marketing Company for Sleeping System Ltd. (Sleep High) (Limited liability company)	**95%**	5% owned by SIDC Commercial Investment
Arabian Co. For Manufacturing Sponges & Springs Mattresses Ltd. (Sleep High) (Limited liability company)	-	98.5% owned by Global Marketing Company for Sleeping System Ltd. (Sleep High) 1.5% owned by SIDC Commercial Investment
Emmdad Logistic Services Company (Limited liability company)	-	50% owned by Global Marketing Company for Sleeping System Ltd. (Sleep High)

*During the year 2023, SIDC Projects Investment Company waived its stake in SIDC Commercial Investment Company, and the company's article of association was amended, and the company became wholly owned by the Saudi Industrial Development Company (SIDC) - the parent company.

Non-controlling interests
The non-controlling interests are measured at the acquisition date either at fair value or the proportionate share of the non-controlling interests ' shares of the fair value of the net identified assets of the acquired company. The measurement basis is selected for each acquisition separately. After the acquisition, the rights of non-controlling interests are shown in value at the initial recognition in addition to their share of subsequent changes in the equity of the acquired companies, and are shown as an independent item in the Consolidated Statement of comprehensive income and within the equity of shareholders in the Consolidated Statement of financial position.

Acquisitions or disposals of non-controlling interests that do not affect the control of the parent company of the subsidiary are represented as transactions with equity holders. The difference between the fair value of the amount paid or received and the change in non-controlling interests is directly included in equity.

Business combinations and Goodwill
Accounting for mergers of subsidiaries and businesses is carried out using the acquisition method. The consideration transferred in the business merger is measured at the fair value calculated as the sum of the amount of fair values of assets transferred by the group on the date of acquisition, or liabilities incurred assumed by the group from the previous owners of the acquired company and equity instruments issued by the group in exchange for control of the acquired company as well as any costs that can be directly related to the business merger process. Acquisition-related costs are generally recognized in profit or loss when incurred. Assets, liabilities and contingent liabilities that meet the conditions for recognition in accordance with IFRS 3: business consolidation, are recognized at fair value on the date of acquisition.

When the consideration transferred by the group in the process of business integration includes assets or liabilities resulting from the potential consideration arising under the agreement, the potential consideration is measured at fair value at the acquisition date and included as part of the transferred consideration in the business combination transactions. Changes in the fair value of a potential counterparty that qualify as adjustments for the measurement period are adjusted retroactively, with the corresponding adjustments credited to Goodwill. Adjustments to the measurement period are adjustments that result from the availability of additional information obtained during the "measurement period" (which should not exceed a year from the date of acquisition) about the facts and circumstances that existed at the date of acquisition.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Basis of consolidation (Continued)

Business combinations and Goodwill (Continued)

The subsequent accounting for changes in the fair value of a potential non-qualifying counterparty as an adjustment in the measurement period depends on how the potential counterparty is classified. The potential consideration classified as equity is not measured at subsequent reporting dates and is accounted for for its subsequent settlement within equity. A potential consideration classified as an asset or liability is remeasured on subsequent financial statement dates in accordance with IFRS 9 and IAS 37 provisions, liabilities and potential assets, as appropriate, with the corresponding gain or loss recognized in profit or loss.

Goodwill is measured as the increase in the amount of the transferred consideration, the amount of any non-controlling interests in the acquired company, and the fair value of the equity interest (if any) previously held by the acquired company in the acquired company above the net amounts at the acquisition date of the specific assets acquired and liabilities received. If, after revaluation, the net amounts at the date of purchase of the specific assets purchased and liabilities incurred exceed the total transferred price, the amount of any non-controlling interests in the acquired company, and the fair value of the equity share (if any) previously held by the acquirer in the acquired company, the increase is recognized directly in the income statement as a purchase profit from the transaction.

Non-controlling interests that are current ownership interests and entitle their owners to a proportionate share of the net assets of the enterprise in the event of liquidation can be measured initially either by fair value or by the proportionate share of non-controlling interests in the recognized amounts of the net specific liabilities of the acquired company. The basis for measurement is selected based on each individual transaction.

If the accounting for the business combination has not been completed by the end of the financial statement period in which the merger occurred, the group discloses interim amounts for the items whose accounting has not been completed. These temporary amounts are adjusted during the measurement period (See above), or additional assets or liabilities are recognized, in order for the new information obtained to reflect the facts and circumstances that existed at the date of acquisition, which, if known, would have affected the amounts recognized on that date.

When a business merger is completed in stages, the share of equity previously held by the group in the acquired company is remeasured at fair value on the date of acquisition (i.e., the date of control of the group) and the resulting profit or loss, if any, is recognized in profit or loss. Amounts resulting from shares in the company acquired before the acquisition date that were previously recognized in the other comprehensive income statement are reclassified in the income statement in the event that their treatment as such would be appropriate if that share were excluded.

3.3 Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:
- Expected to be realized or intended to be sold or consumed in normal operating cycle,
- Held primarily for the purpose of trading,
- Expected to be realized within twelve months after the date of the consolidated statement of financial position, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the consolidated statement of financial position.

All other assets are classified as non-current.

A liability is current when:
- It is expected to be settled in normal operating cycle,
- It is held primarily for the purpose of trading,
- It is due to be settled within twelve months after the consolidated statement of financial position, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the consolidated statement of financial position.

The Group classifies all other liabilities as non-current.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.4 Fair value measurement financial instruments

Financial instruments
The Group measures financial instruments, such as derivatives at fair value at each financial position date.
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the assets or transfer the liabilities takes place either:

- In the principal market for the assets or liabilities, or
- In the absence of a principal market, in the most advantageous market for the assets or liabilities

The principal or the most advantageous market must be accessible by the Group.

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

A fair value measurement of non-financial assets considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

3.5 foreign currency transactions and balances
Transactions in foreign currencies are initially recorded at the spot prevailing exchange rates of the functional currency on the date on which the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the spot prevailing exchange rates of the functional currency at the date of the Consolidated Statement of financial position. Differences resulting from the settlement of cash items are included in the Consolidated Statement of comprehensive income.

3.6 Property, plant and equipment
Projects under progress are stated at cost net of impairment loss, if any. Projects under progress include the cost of materials, building, construction and other costs directly attributed to delivering the asset to the location and prepare it to be able to operate in the way determined by the management. Project under progress are not depreciated.

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replaced parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a comprehensive inspection is performed, its cost is recognized in the carrying amount as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in consolidated statement of comprehensive income as incurred.

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3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.6 Property, plant and equipment (Continued)

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Fixed assets items	depreciation ratios (%)
Buildings and constructions	3-10%
Machines and equipment	10-20%
Vehicles	20-25%
Fixtures and office equipment	20-25%

Property, plant and equipment are derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the assets) is included in the consolidated statement of comprehensive income when the asset is derecognized. The residual values, useful lives and depreciation methods for the assets are reviewed at the end of each fiscal year and adjusted prospectively whenever necessary.

3.7 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets (excluding capitalized development costs) are not capitalized and expenditure is recognized in the consolidated statement income when it is incurred.

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

The following is the amortization period for intangible assets with finite useful lives:

Computer programs and systems	10 years

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

Goodwill

Goodwill resulting from the acquisition of operations is recorded at the cost when it arises on the date of acquisition of operations less the accumulated losses of impairment, if any.

For the purposes of reviewing goodwill impairment, goodwill is allocated to each of the cash-producing units (or group of cash-generating units) that are expected to benefit from the business combination.

The cash-generating unit to which goodwill is allocated is reviewed to determine the impairment value on an annual basis or more when there is an indication of impairment. If the recoverable value of the cash-generating unit is less than its book value, the impairment loss is allocated first to reduce the book value of any goodwill allocated to the unit and then to other assets in the unit in proportion and proportion based on the book value of each asset in the unit.

Any impairment loss of goodwill is recorded directly in the Consolidated Statement of comprehensive income. The loss of depreciation in the recorded value of goodwill is not reversed in subsequent periods and when the relevant cash-generating unit is disposed, the amount returned on goodwill is included when determining the profit or loss resulting from the disposal.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.8 Leases

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

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i. Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives.

If ownership of the leased asset transfers to the Company at the end of the lease term, or if the cost reflects the exercise of the purchase option, depreciation is calculated using the estimated useful life of the asset. Right of use assets are subject to impairment. Refer to the accounting policies included in the “Impairment of Non-Financial Assets” paragraph.

ii. Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense (unless its charged for production) in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii. Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of plant and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

3.9 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale as part of the cost of the asset. All other costs are expensed in the period in which they are due. Borrowing costs consist of interest cost and other costs that an entity incurs in connection with the borrowing of funds.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

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

1) Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through comprehensive income.

The classification of debt financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in Revenue from contracts with customers.

In order for a debt financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through comprehensive income.

Financial assets at amortized cost (debt instruments)
Financial assets at amortized cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognized in consolidated statement of profit or loss when the asset is derecognized, modified or impaired. The Group's financial assets at amortized cost includes trade and other receivables.

Financial assets designated at fair value through OCI (debt instruments)
For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to statement of profit or loss.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.10 Financial instruments (Continued)

1) Financial assets (Continued)

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to statement of profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of profit or loss. This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognized as other income in the consolidated statement of profit or loss when the right of payment has been established.

The separation of a derivative embedded in a hybrid contract with an obligation or a non-derivative contract, the principal being derived as an independent derivative, is operated, whether the economic profitability and risks are not more precise than the conventional master contract, with an independent instrument that has another with the same terms and conditions and meets the definition of a derivative without measuring the hybrid contract. In statistical terms through comprehensive income. Embedded derivative instruments are measured at strategic value with value considerations included in the statement of comprehensive income. The estimate is re-estimated only if there is a change in contract trends and provisions that require the company to significantly adjust incrementally cash or reclassify the external financial value of strategic value through comprehensive income.

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

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

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

Impairment of financial assets
The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through statement of profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.10 Financial instruments (Continued)

1) Financial assets (Continued)

Impairment of financial assets (Continued)
ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade and other receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 365 days past due. owever, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before considering any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below: Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Gains or losses on liabilities held for trading are recognized in the consolidated statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

Financial liabilities at amortized cost (Loans and borrowings)
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in consolidated statement of profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the consolidated statement of profit or loss.

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

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.11 Inventories

Inventories are valued at the lower of cost and net realizable value. Inventories Costs are accounted as follows:

- Raw materials, packaging and spare parts: purchase cost on a weighted average basis
- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

3.12 Impairment of non-financial assets

The Group assesses, at the date of preparing the financial statements, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset or CGU's fair value less costs of selling or its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate future cash inflows that are largely independent of those from other assets or Groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account- if available or an appropriate valuation model is used.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's Cash Generating Units ("CGUs") to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. To cover longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment of goods, are recognized in the consolidated statement of comprehensive income in expense category consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at the date of preparing each consolidated statement of financial position to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income.

3.13 Cash and cash equivalents

Cash and cash equivalents comprise of cash at banks and in hand and term deposits convertible to know amounts of cash with original maturity of three months or less, which are not subject to risk of changes in value, if any.

3.14 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.15 Employee benefits obligations

1) Short-term obligations

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

2) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The net liability recognized in the statement of financial position in respect of defined benefit post-employment plans is the present value of the projected defined benefit obligation (DBO) at the reporting date. The defined benefit obligation is calculated annually by independent actuaries using the projected credit unit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of the plan assets. This cost is included in employee benefit expense in the statement of comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur in consolidated statement of comprehensive income.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in the consolidated statement of comprehensive income as past service costs.

Current and past service costs related to post-employment benefits are recognized immediately in the consolidated statement of comprehensive income while unwinding of the liability at discount rates used are recorded as financial cost. Any changes in the obligations due to actuarial valuation and estimations will be considered as remeasurement and recognised in the consolidated statement of comprehensive income.

The actuarial valuation process takes into account the provisions of the Saudi Arabian Labor law as well as Group's policy.

3.16 Revenue from contracts with clients

Revenue is recognized from contracts with customers when control of the goods or services transfer to the customer and at an amount that reflects the price that the Group expects to receive in exchange for those goods or services. The following are the special considerations that must be met before revenue is recognized:

Sale of goods

Revenue from sale of goods is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, volume rebates). In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of goods provide customers with a right of return and volume rebates. The rights of return and volume rebates give rise to variable consideration.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.16 Revenue from contracts with clients (Continued)

Commercial Discounts

The group provide a discount on quantities with future effect to some customers if the quantity of products purchased during the year exceeds the limits determined in the contract. Discounts are settled against amounts due from customer. In order to estimate the variable price of expected future discounts, the Group applies the most likely amount method for contracts with one limit for the quantity discount, and the expected value method for contracts with more than one limits to obtain a quantity discount. The number of trade discount limits in the contract mainly determines the method which provide the best expectation of the variable price amount. The group then applies the requirements of the restricted estimates to the variable price and records a return obligation for expected future discounts on quantities.

Transportation services

Revenue from transportation services is realized when control of the asset is transferred to the customer and this is generally when the goods are delivered (point in time).

3.17 Expenses

All expenses, including operating expenses, general and administrative expenses and other expenses, are recognized in the consolidated statement of comprehensive income in the fiscal year in which such expenditure was incurred.

Selling and distribution expenses are those expenses relating to sales, distribution and other incidental expenses, and all other expenses are classified as general and administrative expenses.

3.18 Zakat and tax

1) Zakat

The Parent Company measures and recognizes zakat provision for each fiscal period in accordance with the Regulations of the zakat and tax regulations in the Kingdom of Saudi Arabia and on accruals basis. The Zakat provision is charged to the consolidated statement of comprehensive income under a separate line item. Any additional liabilities, if any, are credited in the same fiscal period in which the assessments are approved.

2) Income tax

Regarding the subsidiary in Arab Republic of Egypt, income tax assets and liabilities for the current and previous periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted at the reporting date in the Arab Republic of Egypt.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial statements at the financial position date. Deferred tax liabilities are recognized for all taxable temporary differences, except:
- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and at the time of the transaction, does not affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, unused tax discounts and unused tax losses, to the extent that these temporary differences can be deducted from taxable profit, except:
- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, does not affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.18 Zakat and tax (Continued)

2) Income tax (Continued)

The carrying amount of deferred tax assets is reviewed at each date of preparing financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each date of preparing financial position and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

For the subsidiary company in the Arab Republic of Egypt, deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at each date of preparing financial position.

Current and deferred tax relating are recognized as revenue or expense in the consolidated statement of comprehensive income. Current and deferred tax related to transactions or events is directly recognized in the shareholders' equity. Deferred tax assets and tax liabilities are offset if a legally enforceable right exists to use current tax assets to settle current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3) Value added tax (VAT)

Expenses and assets are recognized net of the amount of VAT, except when the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable. When receivables and payables are stated with the amount of VAT included, the net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

3.19 Foreign currencies

1) Transactions and balances

The Group's consolidated financial statements are presented in SAR, which is also the Parent Company's functional currency. Each entity in the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group elected to use profits and losses resulted from the direct method of combination, which is the method used to complete combination.

Transactions in foreign currencies are initially recorded by the Group's Companies at their respective functional currency prevailing rate at the date the transaction. Monetary assets and liabilities denominated in foreign currencies are re-measured at the functional currency spot rate of exchange prevailing at the date of preparing consolidated statement of financial position.

Differences arising on settlement or translation of monetary items are recognized in the consolidated statement of comprehensive income with the exception of monetary items that are designated as part of the hedge of the Group's net investments of the subsidiary. These are transferred to the statement of comprehensive income until the net investment is disposed of. Then, they are recognized in the consolidated statement of comprehensive income. Tax charges and changes resulting from exchange differences on those monetary items are also recorded in consolidated statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on re-measurement of non-monetary items measured at fair value are treated in line with the recognition of gain or loss on change in fair value in the item (differences from translation of items which are recognized at change in fair value in the consolidated statement of comprehensive income are treated the same way).

2) Group's Companies

On consolidation, the assets and liabilities of foreign operations (subsidiary Group) are translated into Saudi riyals (SAR) at the rate of exchange prevailing at the date of preparing the consolidated financial statements and translation of the items in consolidated statement of comprehensive income at exchange rates prevailing at the dates of the transactions. The differences arising on the translation are directly recognized in consolidated statement of comprehensive income. On disposal of a foreign operation, the OCI component relating to that particular foreign operation is recognized in the consolidated statement of comprehensive income.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.19 Foreign currencies (Continued)

2) Group's Companies (Continued)
Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the fair value of assets and liabilities credited by carrying amount arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate at the date of the consolidated financial statement.

3.20 Cash dividend and non-cash distribution to shareholders in the Parent Company

Cash or non-cash distributions to shareholders in the Parent Company are recognized as liabilities when the distribution is authorized and the distribution is no longer at the discretion of the Company. As per the Regulations for Companies in KSA, a distribution is authorized when it is approved by the shareholders. The directly distributed amount is deducted from shareholders' equity and recognized as a liability. Board of Directors has the right to recognize interim dividends, provided that dividends will be approved by the next general assembly.

Non-cash distributions, if any, are measured at the fair value of the assets to be distributed with fair value re-measurement recognized directly in equity. Upon the distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in the consolidated statement of comprehensive income.

4. JUDGEMENTS, ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements requires the Group management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosure of contingent liabilities at the date of preparing the consolidated financial statements. Uncertainty about these assumptions and estimates could result in making material adjustments to the carrying amount of asset or liabilities affected in future years.

1) Critical Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

A) Component parts of property, plant and equipment
The Group's assets, classified within property, plant and equipment, are depreciated on a straight-line basis over their economic useful lives. When determining the economic useful life of an asset, it is divided into significant component parts such that each significant component part is depreciated separately. Judgement is required in ascertaining the significant components of a larger asset, and while defining the significance of a component, management considers quantitative materiality of the component part as well as qualitative factors such as difference in useful life as compared to main asset, its pattern of depreciation, and its replacement cycle/maintenance schedule.

B) Determining the lease term of contracts with renewal and termination options – Group as lessee
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset)

C) Determination of control
Management has taken into account the accounting treatment and principles contained in IFRS No. 10 "consolidated financial statements"

It determined that some of the facilities were controlled by SIDC. To determine the appropriate accounting treatment of the subsidiary, Management Applied Material judgements.

4. JUDGEMENTS, ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

1) Critical Judgements (Continued)

C) Determination of control (Continued)

If the management judgements change, this will lead to delete the consolidated of these enterprises and instead they will be treated as a joint arrangement or an associate company.
These entities currently have consolidated assets and liabilities that affect the Consolidated Statement of financial position and the Consolidated Statement of comprehensive income (Note 16).

The Group owns 50% of Emmdad Logistic Services Company "Emmdad", which is a limited liability company (subsidiary), and the number of board members of the other partner in this subsidiary exceeds the number of board members representing the Group, and it has been considered that the Group controls that subsidiary. The following are the main considerations and provisions applied by the management on the conclusion of the Group's control over the subsidiary:

* The partners assembly of the other partner in the subsidiary company (Emmdad) are members in the Board of Directors of Global Marketing Company for Sleeping Systems Limited (Sleep High).
* The contribution of the parent company and its subsidiaries to the revenues of Emmdad logistic services company is 60% (December 31, 2022: 60%).

As such, the Group concluded that it has the power and ability to influence variable returns and control of Emmdad.

2) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the date of preparing the consolidated financial statements, that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the subsequent financial periods, are described below. The Group based its assumptions and estimates on parameters available at the date of preparing the consolidated financial statements. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

A) Useful life of property, plant and equipment

The Group's management determines the estimated useful lives of its property, plant, and equipment for calculating deprecation. These estimates are determined after considering the expected use of the assets or natural wear and tear. Management is required to review residual value and useful lives on an annual basis and depreciation expense on a future basis if management believes that useful lives differ from past estimates.

B) Impairment of non-financial assets

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

C) Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for Groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group’s historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

4. JUDGEMENTS, ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

2) Estimates and assumptions (Continued)

C) Provision for expected credit losses of trade receivables (Continued)
The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 12.

D) Taxes
Uncertainties exist with respect to the interpretation of compound tax regulations, amount, and timing of taxable income in future. Given the wide range of international business relations, long-term nature, present structured contractual agreements and differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to income tax and expenses already recorded. Provisions, based on reasonable estimates, are recoded for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amounts of such provisions are based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the Group's domicile. Contingent liabilities are not recognized when the Group assesses the ability to start proceedings of litigation and the existence of cash flows for deferred funds. Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant judgement by management is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

E) Employee benefit liabilities
The cost of defined benefit liabilities regarding employee's end of service are determined using actuarial valuations. An actuarial valuation requires making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate; future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, the defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each annual reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the commission rates of corporate bonds in currencies consistent with the currencies of the post-employment defined liabilities and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are removed from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds.
The mortality rate is based on publicly available mortality tables for the respective countries. Those mortality tables are subject to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates for the respective countries and future salary increases.

F) Fair value measurement of financial instruments
When the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is determined using valuation techniques including the Discounted Cash Flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

4. JUDGEMENTS, ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

2) Estimates and assumptions (Continued)

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

H) Impairment of inventories
Inventories are held at the lower of cost and net realizable value. When inventories become old or obsolete, an estimate is made of their net realizable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and an allowance applied according to the inventory type and the degree of ageing or obsolescence, based on net realizable value, representing the estimated selling price net of the estimated costs to perform the sale.

I) Goodwill - annual Impairment test in the value
Goodwill impairment tests are performed for the group of cash-generating units to which goodwill has been allocated. The group of cash-generating units is determined based on specific acquisitions and the cash-generating units resulting from those acquisitions. The structure and groups of cash-generating units are evaluated on an annual basis. Goodwill is tested for impairment at least annually for each group of cash-generating units to which goodwill is allocated. To determine value in use, discounted cash flow models are used.

The most important indicators in impairment testing include assumptions regarding the sales growth rate and pre-tax discount rates.

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5. PROPERTY, PLANT AND EQUIPMENT

	Lands	Buildings and constructions	Machinery and equipment	Vehicles	Fixtures and Office equipment	Work in progress	Total
Cost							
Balance at 1 January, 2022	17,722,554	89,929,194	198,234,112	42,916,014	28,950,424	155,360	377,907,658
Additions during the year	-	42,373	576,060	1,539,275	356,417	-	2,514,125
Disposals during the year	-	-	(7,912)	(301,500)	-	-	(309,412)
Transfer to assets held for sale (Note E below)	-	-	(5,397,884)	-	-	-	(5,397,884)
Translation differences	(444,546)	(1,236,646)	(2,667,910)	(249,970)	(728,424)	-	(5,327,496)
Balance at 31 December, 2022	17,278,008	88,734,921	190,736,466	43,903,819	28,578,417	155,360	369,386,991
Additions during the year	**-**	**15,309**	**3,397,496**	**425,018**	**378,912**	**376,282**	**4,593,017**
Disposals during the year	**-**	**(231,000)**	**(304,681)**	**(1,520,974)**	**(23,640)**	**(60,668)**	**(2,140,963)**
Transfer during the year	**-**	**-**	**-**	**-**	**95,195**	**(95,195)**	**-**
Translation differences	**(156,774)**	**(437,486)**	**(939,267)**	**(99,059)**	**(266,139)**	**-**	**(1,898,725)**
Balance at 31 December, 2023	**17,121,234**	**88,081,744**	**192,890,014**	**42,708,804**	**28,762,745**	**375,779**	**369,940,320**
Accumulated depreciation							
Balance at 1 January, 2022	-	69,680,607	171,173,274	27,431,506	25,796,166	-	294,081,553
Depreciation of the year	-	2,558,741	4,470,689	2,680,702	837,013	-	10,547,145
Disposals during the year	-	-	(7,612)	(291,837)	-	-	(299,449)
Transfer to assets held for sale (Note E below)	-	-	(4,521,939)	-	-	-	(4,521,939)
Translation differences	-	(437,515)	(1,455,931)	(140,357)	(480,609)	-	(2,514,412)
Balance at 31 December, 2022	-	71,801,833	169,658,481	29,680,014	26,152,570	-	297,292,898
Depreciation of the year	**-**	**4,419,265**	**3,876,596**	**2,745,099**	**672,427**	**-**	**11,713,387**
Disposals during the year	**-**	**(230,999)**	**(298,504)**	**(1,501,155)**	**(22,867)**	**-**	**(2,053,525)**
Translation differences	**-**	**(160,546)**	**(533,199)**	**(56,590)**	**(180,772)**	**-**	**(931,107)**
Balance at 31 December, 2023	**-**	**75,829,553**	**172,703,374**	**30,867,368**	**26,621,358**	**-**	**306,021,653**
Impairment of property, plant and equipment (Note D below)							
Balance at 1 January, 2022	-	-	-	-	-	-	-
Charged during the year	-	-	3,106,290	-	-	-	3,106,290
Balance at 31 December, 2022	-	-	3,106,290	-	-	-	3,106,290
Charged during the year	**-**	**10,812,475**	**4,883,889**	**217,863**	**77,772**	**374,948**	**16,366,947**
Balance at 31 December, 2023	**-**	**10,812,475**	**7,990,179**	**217,863**	**77,772**	**374,948**	**19,473,237**
Net book value							
As at 31 December, 2023	**17,121,234**	**1,439,716**	**12,196,461**	**11,623,573**	**2,063,615**	**831**	**44,445,430**
As at 31 December, 2022	17,278,008	16,933,088	17,971,695	14,223,805	2,425,847	155,360	68,987,803

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5.PROPERTY, PLANT AND EQUIPMENT (Continued)

A) As at December 31, 2023, property, plant and equipment includes fully depreciated assets and still working costing SAR 86 million (December 31, 2022: SAR 80.6 million).

B) The most of the group's buildings, are located on leased land from the Saudi authority for industrial cities and technology zones in Jeddah and from the royal commission in Jubail and Yanbu with an annual lease for varying renewable periods.

C) The depreciation for the year in the Consolidated Statement of comprehensive income was distributed as follows:

	2023	2022
Cost of sales (Note 23)	**9,768,264**	8,784,223
Selling and distribution expenses (Note 24)	**1,226,466**	576,988
General and administrative expenses (Note 25)	**718,657**	1,185,934
	11,713,387	10,547,145

D) The group has prepared an impairment study as of December 31, 2023 for some of the main production lines in the factories, the group reached an impairment in the value of property, plant and equipment amounting SAR 16.4 million (December 31, 2022: SAR 3.1 million) the group recorded the amount of the impairment in the consolidated comprehensive income statement.

E) During the year 2022, the Board of Directors of the group decided to dispose off one of the machines located in the factory because there was no benefit in using it, as the net book value of this machine as at that date amounting SAR 876 thousand, as the fair value exceed the net book value based on quotations received from third parties. The company did not sell the machine as of the date of these financial statements and therefore the company record impairment of its value (note 26).

6. GOODWILL

The goodwill represents the excess in the investment cost at Global Marketing Company for Sleeping System Ltd. (a subsidiary) over the fair value of its net assets at the time of business combination.

The goodwill arising from a business combination is tested annually to verify whether it is impaired. The impairment test is based on the "value-in-use" calculation. These calculations are based on cash flow projections according to the estimated operating results of the cash generating units.

As at December 31, 2023, the Group's management reviewed the recoverable amount of goodwill. The recoverable amount was calculated on the basis of the value-in-use of the cash generating unit as determined by the Group's management and consists of the net operating assets of the subsidiary. In determining the value-in-use of the cash generating unit, the cash flows that were determined using the approved financial budgets were discounted by the management of the subsidiary for a period of five years at a discount rate of 13-14%. The calculation of value-in-use is generally affected by changes in the following key assumptions:

- The discount rate used in the cash flow estimates.
- Prices and sales quantities.

Based on the above study, resulted in a decrease in the book value of goodwill by SAR 30 million (2022: Nill Saudi Riyals) and the Group recorded the impairment amount on the consolidated statement of comprehensive income, so the net goodwill balance as at 31 December 2023 became SAR 32.4 (31 December 2022: SAR 62.4 million).

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7. LEASE CONTRACTS

The Group as a lessee
The Group has lease contracts for several rental properties. The Group's obligations under these contracts are secured by the lessor's ownership of these properties. Many lease contracts include contract extension and termination options and variable lease payments detailed below. Not all leases contain variable payments.

The Group also has some contracts for properties with a minimum lease term of 12 months or less. The Group applies recognition exemptions for “short term leases” and “impaired asset leases” to these assets.

The following are the carrying values of the right-of-use assets and lease-contract liabilities included during the year and the movement they have experienced during the year:

a) Right-of-use assets are represented as follows:

	2023	2022
Balance at 1 January	**8,802,350**	10,559,060
Additions during the year	**6,029,649**	4,003,210
Disposal during the year	**(62,803)**	(180,574)
Depreciation during the year	**(4,109,454)**	(5,579,346)
Adjustment during the year	**171,742**	-
Balance at 31 December	**10,831,484**	8,802,350

The Group recorded the interest expense in relation to the lease liabilities under “Finance cost” (note 27) and recorded depreciation expense related to the right of use assets for the year ended 31 December as follows:

	2023	2022
Cost of sales (Note 23)	**1,310,555**	1,169,867
Selling and distribution expenses (Note 24)	**2,221,127**	3,877,823
General and administrative expenses (Note 25)	**577,772**	531,656
	4,109,454	5,579,346

B) lease liabilities are classified in the statement of financial position as follows:

	2023	2022
1 January	**10,888,916**	12,415,514
Additions during the year	**6,029,649**	3,685,064
Disposal during the year	**(16,447)**	(180,574)
Finance cost (note 27)	**375,251**	435,308
Payments during the year	**(3,971,572)**	(5,466,396)
Transfer to accrued expenses	**(2,742,456)**	-
Adjustment	**(412,301)**	-
As of 31 December,	**10,151,040**	10,888,916
Less: current portion	**2,915,633**	5,414,073
Non-Current portion	**7,235,407**	5,474,843

The following table shows future payments related to lease contracts:

	2023	2022
Within one year	**2,915,633**	5,414,073
More than 1 year and less than 5 years	**7,235,407**	5,474,843
Total lease liabilities	**10,151,040**	10,888,916

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8. INTANGIBLE ASSETS

Intangible assets consist of software and computer systems, and the movement on them during the year is summarized as follows:

	Computer software
Net book value as of January 1, 2022	229,015
Amortization during the year (Note 25)	(93,074)
Net book value as of December 31, 2022	135,941
Net book value as of January 1, 2023	**135,941**
Amortization during the year (Note 25)	**(64,972)**
Net book value as of December 31, 2023	**70,969**

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets at fair value consist of the following:

	2023	2022
A. " Arabian Industrial Fiber Company (Ibn Rushd) (Note "A" below)		
Cost	**132,900,000**	132,900,000
Less: Fair value reserve for investment	**(132,900,000)**	(132,900,000)
Fair Value	**-**	**-**
b. Warehouses & Support Services Company (Note "B" below)		
Cost	**5,250,000**	5,250,000
Less: Fair value reserve for investment	**(3,464,162)**	(617,488)
Fair Value	**1,785,838**	4,632,512
c. Investment in priced local securities portfolio (Note "C" below)		
Fair Value	**53,917,849**	47,617,273
	55,703,687	52,249,785

A) As at December 31, 2023, the financial assets at fair value through other comprehensive income (Arabian Industrial Fibers Company (Limited Liability Company)-Ibn Rushd) amounting to SAR nil (2022: SAR nil). The Group's investment has been recognized at fair value. The group's management reversed the full recorded value as at December 31, 2019, during the recognition of the fair value of these financial assets in the fair value reserve account for investments. During the year 2023, the Group's Board of Directors decided to transfer the fair value investment reserve of SAR 132.9 million to the accumulated losses account (note "D" below). Management will review the fair value of the investment periodically.

B) As at 31 December 2023, the Group's management studied the fair value of the investment in the Warehouses and Support Services Company (closed joint stock company), and the study resulted in impairment in the fair value of the investment by SAR 2.8 million (2022: SAR 617.5 thousand) - (Note D below). Accordingly, the value of the investment was reduced and the fair value reserve for investments was increased by the same amount.

C) Financial assets at fair value through other comprehensive income include equity shares in the value of a portfolio dedicated to investing in shares of banks and other stock companies traded in the Saudi stock market and Egypt stock market that are not held for trading and which the Group has made an irrevocable choice when proving in principle to demonstrate changes in fair value through other comprehensive income rather than profit or loss, as these strategic investments are considered more important by the Group. The Group maintains this portfolio at a local financial brokerage company licensed in Saudi Arabia. These investments were proven at fair value as of 31 December 2023, and 31 December 2022, in accordance with the closing price at the end of trades date of the financial position.

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9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)

The movement on investment in a local securities portfolio priced during the year is as follows:

	2023	2022
Balance at 1 January	**47,617,273**	55,004,333
Unrealized gain/(loss) (Note "D" below)	**9,139,430**	(14,024,180)
Disposal during the year	**(7,098,214)**	(23,493,561)
Additions during the year	**4,259,360**	30,130,681
Balance at 31 December	**53,917,849**	47,617,273

D) The movement on the fair value reserve of investment during the year is as follows:

	2023	2022
1 January	**(130,865,504)**	(116,223,833)
Unrealized gain/(Loss) during the Year - Portfolio Investment (Note C above)	**9,139,430**	(14,024,180)
Unrealized (Loss) during the year – Warehouses and Support Services Company (Note B above)	**(2,846,674)**	(617,491)
Net Unrealized gain/(Loss) during the year	**6,292,756**	(14,641,671)
realized gain during the year	**2,880,271**	23,049,107
Reclassification of realized gains from financial assets at fair value through other comprehensive income to accumulated losses	**(2,880,271)**	(23,049,107)
Transfer from the reserve change in the fair value of investments to accumulated losses (Note A above)	**132,900,000**	-
	8,327,252	(130,865,504)

10. INVENTORY

	2023	2022
Raw materials	**13,692,534**	19,088,955
Finished goods and accessories	**12,435,579**	16,644,092
Spare parts	**2,893,828**	4,563,019
Work in progress	**2,940,737**	3,182,122
	31,962,678	43,478,188
Inventories impairment (Note "A" below)	**-**	(6,854,576)
	31,962,678	36,623,612
Goods in transit	**1,372**	653,629
	31,964,050	37,277,241

A) The Movement of inventories impairment during the year is as follows:

	2023	2022
Opening Balance	**6,854,576**	-
Provision for the year (Detailed below and Note 26)	**8,844,515**	6,854,576
Written-off during the year	**(15,699,091)**	-
	-	6,854,576

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11. OTHER CURRENT ASSETS

	2023	2022
Advance payments to suppliers	**1,031,775**	2,721,281
Prepaid expenses	**1,855,364**	974,461
Letter of Credit	**8,000**	450,000
Due from employees	**499,728**	532,400
Insurance	**444,282**	105,299
Other	**723,024**	184,568
Total other current assets	**4,562,173**	4,968,009
Other current assets Impairment (Note A below)	**(277,982)**	(57,494)
Balance at 31 December	**4,284,191**	4,910,515

A) Impairment of Other current assets movement is as follows:

	2023	2022
At 1 January	**57,494**	90,344
Provision for the year (Note 26)	**261,342**	-
Written-off during the year	**(31,196)**	-
Translation differences	**(9,658)**	(32,850)
	277,982	57,494

12. TRADE RECEIVABLES

	2023	2022
Trade receivables	**15,905,371**	16,119,396
Provision for expected credit losses (note "A" below)	**(615,827)**	(1,858,228)
Trade receivables, net	**15,289,544**	14,261,168

A) The movement of the provision for expected credit losses to trade receivables during the year is as follows:

	2023	2022
Balance at 1 January	**1,858,228**	387,423
(Provision Reverse) / Expected credit losses (Note 26)	**(514,298)**	1,422,070
Written-off during the year	**(718,405)**	-
Translation differences	**(9,698)**	48,735
Balance at 31 December	**615,827**	1,858,228

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

Investments are the value of a portfolio dedicated to invest in the shares of banks and other joint stock companies traded in the Saudi stock market and Egypt stock market for the purpose of trading. The Group maintains this portfolio at a local financial brokerage company licensed in Saudi Arabia. Investments in securities purchased for trading have been recognized at fair value according to the closing price of the end of trading date of the financial position. The movement on investments during the year is as follows:

	2023	2022
Balance at 1 January	**9,250,389**	3,935,020
Unrealized (loss) / gain	**(301,604)**	990,478
Additions during the year	**1,831,454**	4,324,891
Disposal during the year	**(6,792,935)**	-
Balance at 31 December	**3,987,304**	9,250,389

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14. CASH AND CASH EQUIVALENTS

	2023	2022
Cash at bank	**7,032,325**	16,906,905
Cash on hand	**134,661**	263,691
Cheques under collection	**-**	81,398
	7,166,986	17,251,994

15. FOREIGN CURRENCY TRANSLATION RESERVE

The following is the movement on the foreign currency translation reserve during the year:

	2023	2022
Balance at 1 January	**(41,878,370)**	(32,241,605)
Change in foreign currency translation reserve	**(3,268,315)**	(9,636,765)
Balance at 31 December	**(45,146,685)**	(41,878,370)

During the year 2023 the Egyptian pound recorded a decrease in the exchange rate against the Saudi riyal by an average of 20%. (2022: 36.5%) As a result, a currency translation adjustment was recorded in relation to the translation of operations for the subsidiary in the Arab Republic of Egypt.

16. NON-CONTROLLING INTEREST

The summarized financial information below substantially relates to a subsidiary of the Group (Emmdad Logistic Services Company) and represents amounts before intragroup eliminations:

	2023	2022
Non-current assets	**11,754,602**	13,144,265
Current assets	**8,043,722**	8,791,799
Non-current liabilities	**2,871,819**	2,079,216
Current liabilities	**3,569,480**	3,680,017
Equity of the company's shareholders	**6,678,512**	8,088,416
non-controlling interest	**6,678,512**	8,088,416
Revenue	**24,031,637**	21,344,937
Expenses	**(20,947,622)**	(20,093,856)
Profit of the year	**3,084,015**	1,251,081
Net profit attributable to:		
Company shareholders	**1,542,007**	625,540
non-controlling interest	**1,542,007**	625,540
Total comprehensive income attributable to:		
Company shareholders	**1,590,097**	762,465
non-controlling interest	**1,590,097**	762,465
Total comprehensive income for the year	**3,180,194**	1,524,929
Cash flows		
Cash flows from operating activities	**7,397,671**	2,430,404
Cash flows from investing activities	**(6,334,452)**	(1,126,468)
Cash flows from financing activities	**(744,448)**	(703,648)

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17. EMPLOYEE BENEFIT OBLIGATIONS

	2023	2022
Balance at January 1	**13,786,735**	16,113,008
Current service cost	**1,719,730**	2,038,677
Financing costs	**785,767**	389,640
Paid during the year	**(1,975,334)**	(1,524,133)
Written off during the year	**-**	(50,895)
Actuarial loss recorded during the year	**246,845**	(3,044,665)
Advance payments	**(79,008)**	(134,897)
Balance at 31 December	**14,484,735**	13,786,735

The principle actuarial assumptions used in the calculation of the employees' current defined benefit obligations are as follows:

	2023	2022
Discount rate	**4.6%**	4.6%
Salary increase rate	**2.6%**	2.5%

The effect of the value of the defined benefit obligation was presented on one of the actuarial assumptions that has a reasonable change rate, with the fixed rate to all other variable elements as follows:

	2023	2022
Discount rate +0,5%	**17,579,738**	17,219,112
Discount rate -0,5%	**18,526,169**	17,952,188
Salary increases +0,5%	**18,533,446**	17,958,128
Salary increases -0,5%	**17,568,780**	17,210,204

The above sensitivity analysis is based on a method that shows the impact on the defined benefit obligation as a result of reasonable changes in key assumptions that occur at the end of the financial reporting period. Sensitivity analysis is based on the change in the main assumption with all other assumptions remaining constant. Sensitivity analysis may not be representative of the actual change in the specific benefit obligation as changes in assumptions are unlikely to occur in isolation.

The following are the payments that are expected in future years in connection with the Defined Benefit Program:

	2023	2022
During the next 12 months (the period of the next annual financial report)	**1,674,708**	2,675,718
Between 2 to 5 years	**12,434,703**	13,395,379
Between 5 to 10 years	**10,253,182**	8,976,577
Net benefit expense	**24,362,593**	25,047,674

18. ZAKAT AND INCOME TAX

A) Zakat and income tax provision as reported in the Group’s statement of financial position is as follows:

	2023	2022
Zakat provision (Note D below)	**4,652,774**	4,546,189
Income tax provision (Note F below)	**1,363,026**	1,084,510
	6,015,800	5,630,699

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18. ZAKAT AND INCOME TAX (Continued)

B) Zakat liabilities were calculated based on the consolidated financial statements of the Group, while tax was calculated based on standalone financial statements of the Subsidiary Company:

	2023	2022
Non-current assets	**143,407,979**	192,532,288
Non-current liabilities	**22,147,880**	19,790,198
Shareholders' equity	**174,996,749**	211,338,163
Net loss before zakat and income tax	**(70,810,750)**	(37,579,785)

C) Zakat charged to the consolidated statement of comprehensive income:

	2023	2022
Charge during the year	**713,637**	1,521,988
Prior-year adjustments	**-**	(2,058,992)
	713,637	(537,004)

D) Movement in zakat provision during the year is as follows:

	2023	2022
Balance at the beginning of the year	**4,546,189**	6,279,813
Charge during the year	**713,637**	(537,004)
Paid during the year	**(607,052)**	(1,196,620)
Balance at the end of the year (Note A)	**4,652,774**	4,546,189

E) Tax charged to the consolidated statement of comprehensive income:

	2023	2022
Current income tax (Note F)	**1,367,391**	1,358,342
Deferred tax income	**5,656**	(254,349)
	1,373,047	1,103,993

F) Movement in income tax provision during the year consists of the following:

	2023	2022
Balance at the beginning of the year	**1,084,510**	1,253,715
Charge during the year (Note E)	**1,373,047**	1,103,993
Paid during the year	**(1,077,404)**	(760,845)
translation differences	**(17,127)**	(512,353)
Balance at the end of the year (Note A)	**1,363,026**	1,084,510

g) Zakat and tax position

Starting from 2015, the parent company submits consolidated financial statements and a consolidation Zakat return to the parent company and its subsidiaries, with the exception of Emmdad Logistic Services Company, which submits its zakat return separately from the Group, while the rest of the Group companies submit an annual information return separately to the Zakat, tax and customs authority "authority".

The parent company and its subsidiaries submitted their zakat return to the Zakat, tax and customs authority "authority" for the years up to 2022 and received a Zakat certificate.

Zakat assessment

The parent company received a final adjusted Zakat with a total difference of 495.4 thousand Saudi riyals. The full differences were objected and 25% of the objected items amounting to 123.8 thousand Saudi riyals were paid, and a decision was issued to partially accept the objection in the amount of 23.4 thousand Saudi riyals, where the amount of the objection became 472 thousand Saudi riyals, the objection was escalated to the general secretariat of the tax committees, and the litigation stages are being in progress.

18. ZAKAT AND INCOME TAX (Continued)

Zakat assessment (Continued)
One of the subsidiaries (Global Marketing Company for Sleeping System Ltd. -Sleep High-) received a final adjusted zakat for the years from 2009 to 2011 with a total difference of SAR 2.9 million, which was objected and the authority issued the amended of SAR 2.8 million and was objected too, and the litigation stages are being in progress.

During the year 2023, the Zakat, Tax and Customs Authority amended the zakat return of the subsidiary company (Emmdad Logistics Services Company) and resulted in a claim of SAR 12 k and the company recorded the amount in the statement of comprehensive income and paid during the year.

Arabian Company for manufacturing sponges and springs mattresses limited (Sleep High Egypt)

- **Corporate taxes**

The company regularly submits tax returns for the years from 2008 to 2021 in accordance with the provisions of Law No. 91 of 2005, and the company was notified of the tax inspection within the sample of 2009 and the tax inspection has not yet been completed. The company was also notified of the tax inspections until the end of 2021 and it was not done yet.

- **Sales tax and Value Added Tax**

- The sales tax was inspected for the year since the company was established until December 31, 2008, and a lawsuit was filed and transferred to the expert.
- On September 7, 2016, the value added tax law No. 67 of 2016 was issued, to be dealt with as of September 8, 2016.
- The tax inspection for the year from January 1, 2009 to December 31, 2017, was completed and the outstanding tax differences were paid.
- The company regularly submits monthly sales tax and VAT returns and pays the tax due from the fact of the returns.

- **Business earning taxes**

- The company was inspected for the business earning tax from the date of the company's establishment until December 31, 2011, and the company was notified of the claim and the amounts received were paid. This claim was objected to and the dispute was referred to the internal committee and the final decision and payment was made until December 2011.
- The year from January 1, 2012 to December 31, 2021, the tax inspection was not completed and the company did not receive any tax claims. The tax inspection was also notified until the end of 2021 and the inspection was not done.

- **Stamp due taxes**

- The company was inspected for the stamp due tax for the years from 1998 to 2000 based on estimates and the settlement was made by linking the tax for the year from 1998 to June 2006 and the company paid the tax due.
- The company's was notified for the tax inspection until the year 2021, and the inspection was not done.

- **Real estate taxes**

- The company received real estate tax claims for the years from 2015 to 2017 and the claims were paid until December 31, 2021.
- As of January 1, 2022, the company was exempted from real estate tax for a period of 3 years due to the decision issued by the minister of Finance No. 61 of 2022.

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19. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2023	2022
Accrued expenses	**4,175,180**	4,018,259
Remuneration of board of directors' members and other related committees (Note 32)	**1,129,000**	1,102,000
Advance payments from customers	**1,181,081**	666,460
Contract liabilities	**1,977,061**	1,824,786
Value Added Tax	**633,105**	417,668
Employee benefits	**2,290,039**	2,933,551
Other	**2,995,486**	2,032,792
	14,380,952	12,995,516

20. UNDERWRITING SURPLUS

The balance of the subscription surplus amounting to SAR 6,350,898 is due to the company's subscribers who have not applied to the banks to receive the surplus due to them after the completion of the allocation of shares since 1992.

21. CREDIT FACILITIES

The group's credit facilities are as follows:

a) Global Marketing Company for Sleeping System Ltd."Sleep High" (subsidiary):
During the year 2022, the company signed a Murabaha sale agreement for the purchase and sale of financial securities with Derayah Financial Company ("Derayah"), the value of the agreement amounted to SAR 20 million at an annual interest rate of 6.25% and is due to be paid during the second quarter of 2023. During the second quarter, the subsidiary entered into a free margin trading agreement for a total value of SAR 21.5 million at an annual interest rate of 9% (with interest to be paid monthly), the proceeds were used to repay the previous financing amount and deposit the remainder in the company's cash account.

All assets available in all the portfolios of the specified subsidiary have been mortgaged with Derayah as collateral for the facilities granted, in addition to a promissory note. The full finance balance has been used by the subsidiary. Under the terms of the agreement, the finance is due after twelve months from the date of signing the agreement.

b) Arabian Company for manufacturing sponges and springs mattresses limited (Sleep High Egypt)
Credit facilities granted by the Arab Investment Bank / Arab Republic of Egypt to finance the purchase of raw materials for the subsidiary in the Arab Republic of Egypt, as of 31 December 2023 the outstanding balance was Nill Saudi Riyals (31 December 2022: 3,968,187 Saudi Riyals). The company obtained a court ruling in its favor in the lawsuit filed against the bank, where the Court of Cassation issued on March 16, 2023. Its judgment dismisses the appeal and obliges the appellant bank to pay the expenses, including attorney's fees, with the confiscation of the bail. It also obtained the ruling of the Cairo Economic Court on April 30, 2023 to remove the company's name from the negative lists of Egyptian banks, and accordingly, based on this ruling, the company wrote off the debt and reduced the balance of credit facilities from the books by the same amount (note 28).

c) The balance of credit facilities as at 31 December 2023 was SAR 22.1 million (31 December 2022: SAR 25.2 million).

22. SEGMENT INFORMATION

The sector is an essential part of the Group that provides certain products or services (business sector) or provides products or services in a certain economic environment (geographical sector) whose profits and losses differ from those of other sectors.

The geographical sector is linked to the provision of products or services in a specific economic environment subject to risks and returns different from those related to employment sectors in economic environments.

The basic cluster model for sector reports is based on business sectors. Business sectors are determined based on group management and internal reporting structure.

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22. SEGMENT INFORMATION (Continued)

The Group operates in the following key sectors:

- Mattress and sponge sector, includes the production and sale of sponges with various pressures and structures of mattresses, beds and all their accessories.
- Sanitary ware sector, includes the production and sale of sanitary ware, wall tiles, ceramic flooring and acrylic bathtubs.
- Transportations consist of transport goods and equipment.
- Financial investment in portfolio trading in the market.
- Other sectors.

The following is the distribution of the activity of the company and its subsidiaries after excluding the impact of transactions between the group's companies according to the operational and geographical sectors that are the main business sectors of the group:

<u>Operating Segment</u>

Descriptions	Mattresses and sponges	Sanitary ware	Transportation	Financial investments	Other Segments	Total
31 DECEMBER 2023						
Total assets	**77,934,241**	**14,252,373**	**15,400,760**	**59,690,991**	**38,821,689**	**206,100,054**
Total liabilities	**66,984,391**	**17,362,008**	**6,441,299**	**-**	**10,555,174**	**101,342,872**
Net sales	**129,619,280**	**11,874,715**	**9,451,262**	**-**	**-**	**150,945,257**
(Loss) / profit attributable to shareholders for the year	**(1,196,173)**	**(34,411,003)**	**1,542,007**	**3,036,499**	**(43,410,771)**	**(74,439,441)**
31 DECEMBER 2022						
Total assets	93,994,502	35,470,171	16,404,826	61,500,174	68,989,867	276,359,540
Total liabilities	67,902,085	16,391,676	5,759,233	-	11,309,797	101,362,791
Net sales	134,151,722	12,735,578	8,459,938	-	-	155,347,238
(Loss) / profit attributable to shareholders for the year	(9,737,369)	(17,611,684)	625,540	2,315,554	(14,364,355)	(38,772,314)

The financial information of the selected revenues and profits for geographical segments, excluding the impact of transactions between the Group companies for the years ended 31 December 2023 and 31 December 2022, are as follows:

<u>Geographic Information</u>

Descriptions	Kingdom of Saudi Arabia	Arab Republic of Egypt	Total
31 DECEMBER 2023			
Total assets	**179,975,839**	**26,124,215**	**206,100,054**
Total liabilities	**93,310,344**	**8,032,528**	**101,342,872**
Net sales	**130,586,725**	**20,358,532**	**150,945,257**
(Loss) / profit attributable to shareholders for the year	**(79,631,825)**	**5,192,384**	**(74,439,441)**
31 DECEMBER 2022			
Total assets	245,649,399	30,710,141	276,359,540
Total liabilities	86,789,294	14,573,497	101,362,791
Net sales	123,772,929	31,574,309	155,347,238
(Loss) / profit attributable to shareholders for the year	(39,654,708)	882,394	(38,772,314)

The timing of revenue recognition is at a point of time.

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23. COST OF REVENUE

	2023	2022
Consumables and spare parts	**71,686,500**	88,578,857
Salaries, wages and benefits	**24,921,363**	22,964,149
Depreciation of property, plant and equipment (Note 5)	**9,768,264**	8,784,223
Fuel and transportation	**4,670,207**	4,174,085
Repair and maintenance	**3,548,392**	2,843,451
Utilities	**3,060,277**	2,460,510
Depreciation of right to use assets (Note 7)	**1,310,555**	1,169,867
Other	**3,199,086**	2,307,901
	122,164,644	133,283,043

24. SELLING AND DISTRIBUTION EXPENSES

	2023	2022
Salaries, wages and benefits	**9,349,743**	9,366,110
Advertising	**3,146,291**	1,912,134
Depreciation of right to use assets (Note 7)	**2,221,127**	3,877,823
Depreciation of property, plant and equipment (Note 5)	**1,226,466**	576,988
Subscriptions and licenses fees	**543,364**	363,957
Maintenance	**257,935**	287,753
Utilities	**207,828**	506,563
Other	**2,017,855**	2,259,019
	18,970,609	19,150,347

25. GENERAL AND ADMINISTRATIVE EXPENSES

	2023	2022
Salaries, wages and benefits	**19,300,296**	19,023,573
Remuneration of board of directors' members and other related committees (Note 32)	**4,232,557**	4,485,654
Professional fees and consulting	**1,897,618**	1,812,292
License and subscription fees	**1,139,923**	1,182,638
Depreciation of property, plant and equipment (Note 5)	**718,657**	1,185,934
Depreciation of right to use assets (Note 7)	**577,772**	531,656
Travel & hospitality	**528,555**	735,555
Repair and maintenance	**461,548**	448,356
Utilities	**348,732**	496,771
Amortization of intangible assets (Note 8)	**64,972**	93,074
Bad debts	**52,913**	74,592
Other	**3,170,168**	3,324,009
	32,493,711	33,394,104

26. IMPAIRMENT Of CURRENT ASSETS

	2023	2022
Inventory impairment (Note 10)	**8,844,515**	6,854,576
(Provision Reverse) / Expected credit losses (Note 12)	**(514,298)**	1,422,070
Impairment of other current assets (Note 11)	**261,342**	-
Impairment of Assets Held for Sale (Note 5-E)	**875,945**	-
	9,467,504	8,276,646

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27. FINANCE COSTS

	2023	2022
Finance cost on operating leases (Note 7)	**375,251**	435,308
finance cost of credit facilities	**1,589,159**	915,161
	1,964,410	1,350,469

28. OTHER INCOME

	2023	2022
Write-off of Credit facilities (Note 21)	**3,942,902**	-
Bad debts collected during the year	**512,209**	3,589,489
Scrap sales	**1,401,440**	526,298
(loss) on foreign currency differences	**(2,685,785)**	(3,052,665)
Gain from sale of property, plant and equipment	**131,441**	21,724
Credit interests	**658,856**	672,518
Other Revenue	**2,674,256**	1,560,958
	6,635,319	3,318,322

29. LOSS PER SHARE

The basic and diluted share of the share of net loss is calculated by dividing the net loss for the regular shareholder period by the weighted average number of shares existing at the date of the consolidated financial statement.

The following are the net operating income and the details of the shares used in calculating the basic and reduced earnings per share:

	2023	2022
Loss from operations (SAR)	**(78,518,158)**	(41,863,192)
Weighted average number of shares during the year (share)	**40,000,000**	40,000,000
Basic and diluted share per share (SAR)	**(1.96)**	(1.05)

The following are the net income and details of the shares used in calculating the basic and reduced earnings per share:

	2023	2022
Net loss for the year	**(74,439,441)**	(38,772,314)
Weighted average number of shares during the year (share)	**40,000,000**	40,000,000
Basic and diluted share per share (SAR)	**(1.86)**	(0.97)

There was no reduction element affecting the weighted average number of ordinary shares.

30. OBLIGATIONS AND CONTINGENT LIABILITIES

The most important contingent liabilities of the group are as follows:

- A final judgment was issued by the court of Appeal in the case no. (2798) in 1434H in favor of the Saudi Industrial Development Company "SIDC" (the"plaintiff") against Juhayna trading, industry and Contracting Co. Ltd. (the"defendant"); by obliging the defendant to pay the plaintiff a total amount of approximately 15,2 million Saudi riyals, and a judgment was issued by the court of First Instance requesting the interpretation of the judgment in the case no. (2798) in 1434H in solidarity of both Juhayna trading, industry and Contracting Co. Ltd ("defendant") and Abbas bin Ali bin Ahmed Abdul-Jawad in the payment of the amounts sentenced in favor of "Sadiq" ("plaintiff"); then the court of Appeal ruled to cancel the ruling by accepting the request for explanation and issued its ruling The application was submitted to the execution court in Jeddah against Juhayna company, and the application was registered with the number: (3901242395) dated 10/11/1439H and a decision was issued against Juhayna company and its branches decision No. (34) and after a decision (46); based on the above facts, the procedures for the execution of the judgment and the attempt to collect the amount are still ongoing by the execution court, and that any amounts collected will be credited to directly upon collection.

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30. OBLIGATIONS AND CONTINGENT LIABILITIES (Continued)

During 2019, the Arab Investment Bank of the Republic of Egypt filed a lawsuit against the A Arabian Company for manufacturing sponges and springs mattresses limited (Sleep High Egypt) (a subsidiary of the Group) to pay additional amounts in excess of the value of the credit facilities. A judgment was issued in favor of the company by the Economic Court of Appeal and this judgment was challenged by the bank and the court issued its judgment not to accept the appeal and obligated the appellant bank to pay the expenses including attorney's fees with the confiscation of the guarantee, It also obtained the ruling of the Cairo Economic Court on April 30, 2023 to remove the company's name from the negative lists of Egyptian banks, and accordingly, based on this ruling, the company wrote off the debt and reduced the balance of credit facilities from the books by the same amount (Notes 21 and 28).

31. RISK MANAGEMENT

The group's exposure to risks and its approach to managing these risks are described below:

A) Credit risk

Credit risk represents the accounting loss that will be recognized at the date of the financial position if the other parties do not comply with the contract. The group applies policies to limit its exposure to credit risks. The maximum exposure to credit risk in the history of the financial position is as follows:

	31 December 2023	31 December 2022
Other current assets (excluding prepaid expenses)	**2,428,827**	3,936,054
Trade receivables	**15,289,544**	14,261,168
Cash and cash equivalents	**7,166,986**	17,251,994
Total financial assets	**24,885,357**	35,449,216

Credit risk is the risk that one of the parties to a financial instrument may not be able to fulfill a contractual obligation, causing a financial loss to the other party. The financial assets that significantly expose the group to credit risks are mainly commercial receivables, other receivables, cash and cash equivalent.

The group applies the simplified model contained in the accounting policies to realize the expected credit losses over the life of the instrument for all commercial receivables, as these items do not have a material financing factor. When measuring the expected credit losses, commercial receivables were assessed on an aggregate basis, respectively, and were classified based on the characteristics of common credit risks and the expiration period of the maturity date.

An analysis of the fall in value at the date of each financial report is carried out using a matrix intended for measuring expected credit losses. The allowance rates are based on the expiry period for different customer segment categories with similar loss patterns (i.e. by geographic region, Service Type and customer type). The calculation shows the probable weighted results and reasonable and substantiated information that is available at the reporting date regarding past events, current conditions and forecasts regarding future economic conditions.

Commercial receivables are written off (that is, derecognized) when there is no reasonable expectation of their recovery. Failure to make payment within 365 days from the date of the invoice and the inability to make an alternative payment arrangement - among other things - with the group is an indication of an unreasonable expectation of recovery, and is therefore considered as a credit impairment

Financial instruments - Cash and cash equivalents

The group's bank balances, measured at amortized cost, are considered low-risk, so that the group's bank balances are deposited in financial institutions with a good credit rating and no current history of default.

The maximum exposure of the group to credit risks arising from the default or non-payment of the counterparty is limited by the book value of commercial receivables, other receivables, cash and cash equivalent.

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31. RISK MANAGEMENT (Continued)

B) Fair value or interest rate risks
Fair value is the value received for the sale of an asset or paid for the transfer of an obligation in a regular transaction between market participants on the measurement date. The consolidated financial statements are prepared on the historical cost basis excluding financial investments which are measured at fair value and employee benefit liability, the value of which is estimated actuarially. Differences may arise between the estimates of book value and fair values, as management believes that the fair values of the group's assets and liabilities do not differ significantly from fair values.

Interest rate risk arises from the possibility that fluctuating interest rates will affect future profitability. The group is exposed to interest rate risks on its interest-bearing assets and liabilities, including loans and bank facilities. Management works to reduce interest rate risks by monitoring the fluctuation of interest rates.

C) Currency risk
Some of the group's items appear in foreign currencies, which exposes the company to the risks of fluctuating prices of these currencies. The group may from time to time enter into forward exchange contracts to manage the risks of currency fluctuations and their requirements, which are mainly related to the import of certain items in foreign currencies.

The table below contains an analysis of the impact of a decrease or increase in the exchange rate of the Egyptian pound against the Saudi Riyal from the levels applied in December 31, 2023, with other variables remaining fixed in equity. It is expected that the effect of the increase or decrease in foreign currency will be equal to and opposite to the effect of the increase shown:

		impact on profit for the year		impact on equity for the year	
Currency	**exchange rate % change**	**2023 Saudi Riyal**	2022 Saudi Riyal	**2023 Saudi Riyal**	2022 Saudi Riyal
Egyptian pound	10%	**519,238**	174,955	**1,809,169**	1,613,665

See Note 15 regarding the decline in the exchange rate of the Egyptian pound against the Saudi Riyal.

D) Commission rate risk
Commission rate risk is represented by the risk of fluctuations in the value of financial instruments as a result of changes in the prevailing market commission rates on the group's financial position and cash flows. The existing facilities are represented by a Murabaha sale agreement for the purchase and sale of certain securities with Derayah company ("Derayah"), the value of the agreement amounted to SAR 22 million at a fixed annual interest rate of 9%, and therefore the management of the group believes that there is no risk of changes in commission rates as the existing facilities are based on a fixed commission rate.

E) Liquidity risk
It is the risk that the group will not be able to secure the necessary liquidity to meet obligations related to financial instruments. Liquidity risks may result from the inability to sell a financial asset quickly and at a value close to its fair value. Liquidity risk is managed through periodic monitoring to ensure that sufficient liquidity is available to meet any future liabilities. The contractual accruals of financial liabilities at the end of the fiscal year are as follows. The amounts are presented in total, not deducted and include estimated interest payments.

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31. RISK MANAGEMENT (Continued)

E) Liquidity risk (Continued)

31 December 2023	Book value	Number of order or Less than one year	from 1 year to 5 years	More than 5 years
Non-derivative financial liabilities				
credit facilities	**22,095,729**	**22,095,729**	**-**	**-**
Lease liabilities	**10,151,040**	**2,915,633**	**7,235,407**	**-**
Trade payables and other creditors	**41,816,932**	**41,816,932**	**-**	**-**
	74,063,701	**66,828,294**	**7,235,407**	**-**

31 December 2022	Book value	Number of order or Less than one year	from 1 year to 5 years	More than 5 years
Non-derivative financial liabilities				
credit facilities	25,218,180	25,218,180	-	-
Lease liabilities	10,888,916	5,414,073	5,474,843	-
Trade payables and other creditors	38,958,743	38,958,743	-	-
	75,065,839	69,590,996	5,474,843	-

F) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the instrument, its source, or factors affecting all instruments traded in the market. The group is exposed to price risks in relation to equity ownership in relation to investments held by the group and classified as financial assets at fair value in the statement of financial position. The group is diversifying its investment portfolio in order to manage the price risks resulting from its investments in equity shares.

G) Capital Management

The policy of the board of Directors is to maintain a sufficient capital base. The board of directors monitors the return on capital used and the level of dividends to shareholders.

The group, like other companies operating in the industry, conducts capital control on the basis of the indebtedness ratio. This ratio is calculated by dividing net debt by total adjusted equity. The group's indebtedness ratio at the end of the financial year is as follows:

	2023	2022
Credit facilities	**22,095,729**	25,218,180
Cash and cash equivalents	**(7,166,986)**	(17,251,994)
Net debt	**14,928,743**	7,966,186
Total equity	**104,757,182**	174,996,749
Indebtedness ratio	**%14**	%5

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31. RISK MANAGEMENT (Continued)

H) Fair value measurement
Fair value is the amount by which an asset is sold or an obligation is repaid in a regular transaction that takes place between market parties as at the measurement date.

The group's financial assets consist of cash and cash equivalent, trade receivables, receivables and other current assets and financial assets at fair value and its financial liabilities consist of trade payables, other current liabilities, credit facilities and leasing obligations.

These financial assets and liabilities were measured at amortized cost and there were no financial instruments or amounts of the group that were measured at fair value except financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss. Financial assets for which fair values have been measured and whose fair values have been disclosed in the consolidated financial statements are classified in the fair value hierarchy range shown below based on the data of the lower level that is material to the measurement of fair values as a whole:

* The first level: current (unadjusted) prices in active markets for similar assets or liabilities.
* The second level: valuation methods in which the minimum amount of data is essential to measure the fair value significantly directly or indirectly are observable.
* The third level: valuation methods in which the minimum amount of data is essential to measure fair value is unobservable.

The table below shows the book values and fair values of financial assets and financial liabilities including their levels in the fair value sequence. It does not include fair value information for financial assets and financial liabilities that are not measured at fair value if the carrying amount reasonably approximates fair value.

December 31, 2023	Book value		Fair value			
	Amortized cost	Fair value	Level (1)	Level (2)	Level (3)	Total
Financial assets						
Cash and cash equivalents	7,166,986	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	55,703,687	53,917,849	-	1,785,838	55,703,687
Financial assets at fair value through profit or loss	-	3,987,304	3,987,304	-	-	3,987,304
Other current assets (excluding prepaid expenses)	2,428,827	-	-	-	-	-
Trade receivables	15,289,544	-	-	-	-	-
	24,885,357	59,690,991	57,905,153	-	1,785,838	59,690,991
Financial liabilities						
Trade payables	27,435,980	-	-	-	-	-
Accrued expenses and other current liabilities	14,380,952	-	-	-	-	-
Credit facilities	22,095,729	-	-	-	-	-
Lease liabilities	10,151,040	-	-	-	-	-
	74,063,701	-	-	-	-	-

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31. RISK MANAGEMENT (Continued)

H) Fair value measurement (Continued)

	Book value		Fair value			
December 31, 2022	**Amortized cost**	**Fair value**	**Level (1)**	**Level (2)**	**Level (3)**	**Total**
Financial assets						
Cash and cash equivalents	17,251,994	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	52,249,785	47,617,273	-	4,632,512	52,249,785
Financial assets at fair value through profit or loss	-	9,250,389	9,250,389	-	-	9,250,389
Other current assets (excluding prepaid expenses)	3,894,748	-	-	-	-	-
Trade receivables	14,261,168	-	-	-	-	-
	35,407,910	61,500,174	56,867,662	-	4,632,512	61,500,174
Financial liabilities						
Trade payables	25,963,227	-	-	-	-	-
Accrued expenses and other current liabilities	12,995,516	-	-	-	-	-
Credit facilities	25,218,180	-	-	-	-	-
Lease liabilities	10,888,916	-	-	-	-	-
	75,065,839	-	-	-	-	-

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32. TRANSACTIONS WITH RELATED PARTIES

Allowances and remuneration for board of director's members and senior executives:
The group's senior management consists of senior management executives and board of director members who have the powers and responsibilities to plan, direct and supervise the group's activities.

The compensation of senior management executives and the board of directors was recorded as an expense during the year as follows:

Description	nature of the transaction	Relationship	Amount 2023	Amount 2022
Senior management	Salaries and compensation	parent company	**2,375,914**	1,872,238
		Subsidiaries	**640,002**	640,002
	End-of-service benefits	parent company	**127,378**	113,538
		Subsidiaries	**50,000**	50,000
The board of directors and related committees (note 25)	remuneration, benefits and allowances for attending meetings	parent company	**2,970,621**	2,935,241
		Subsidiaries	**1,404,986**	1,550,413

As at 31 December 2023, the remuneration of the board of directors and related committees payable (Note 19) amounted to SAR 1.1 million (31 December 2022 amounted to SAR 1.1 million).

33. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMETS

The issuance of the Consolidated Financial Statements of the group for the year ended December 31, 2023 was approved by the resolution of the board of Directors dated 21 Ramadan,1445H (corresponding to 31 March, 2024).