

AL MAWARID MANPOWER COMPANY
(A Saudi Joint Stock Company)
Condensed Consolidated Interim Financial Statements (Unaudited)
For the three-month and nine-month period ended 30 September 2023
Together with the
Independent Auditor's Review Report

AL MAWARID MANPOWER COMPANY
(A Saudi Joint Stock Company)
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INDEX

| | <u>Pages</u> |
|---|---------------------|
| Independent auditor's report on review of condensed consolidated interim financial statements | 1 |
| Condensed consolidated statement of financial position | 2 |
| Condensed consolidated statement of profit or loss and other comprehensive income | 3 |
| Condensed consolidated statement of changes in equity | 4 |
| Condensed consolidated statement of cash flows | 5 |
| Notes to the condensed consolidated interim financial statement | 6 – 23 |



KPMG Professional Services

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Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

واجهة روشن، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

Independent auditor's report on review of condensed consolidated interim financial statements

To the Shareholders of Al Mawarid Manpower Company (Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying 30 September 2023 condensed consolidated interim financial statements of **AL Mawarid Manpower Company** ("the Company") and its subsidiaries (together referred to as "the Group") which comprises:

- The condensed consolidated statement of financial position as at 30 September 2023;
- The condensed consolidated statement of profit or loss and other comprehensive income for the three-month and nine-month period ended 30 September 2023;
- The condensed consolidated statement of changes in equity for the nine-month period ended 30 September 2023;
- The condensed consolidated statement of cash flows for the nine-month period ended 30 September 2023; and
- The notes to the condensed consolidated financial statements.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34 Interim Financial Reporting that is endorsed in the Kingdom of Saudi Arabia.

Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standards on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2023 condensed consolidated interim financial statements of **Al Mawarid Manpower Company** ("the Company") and its subsidiaries (together referred to as "the Group") are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

KPMG Professional Services



Fahad Mubark Aldossari
License No. 469

Riyadh: On 24 Rabi' II 1445H
Corresponding to: 8 November 2023

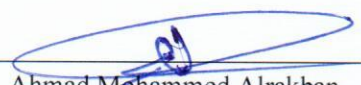


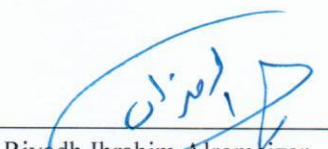
KPMG Professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia with a paid-up capital of SAR40,000,000 (previously known as "KPMG Al Fozan & Partners Certified Public Accountants") and a non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

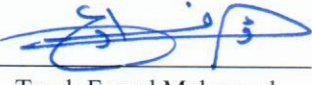
كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مغلقة، مسجلة في المملكة العربية السعودية، رأسمالها (٤٠,٠٠٠,٠٠٠) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي الفزان وشركاء محاسبين ومراجعين قانونيين"، وهي عضو غير شريك في الشبكة العالمية للشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة الطيرية محدودة بضمان. جميع الحقوق محفوظة.

AL MAWARID MANPOWER COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2023
(All amounts in Saudi Riyal unless otherwise stated)

| | <i>Note</i> | 30 September 2023 (Unaudited) | 31 December 2022 (Audited) |
|--|-------------|--|---|
| Assets | | | |
| Non-current assets | | | |
| Property and equipment | 12 | 14,505,767 | 13,290,668 |
| Intangible assets | | 1,452,783 | 1,374,037 |
| Right of use assets | | 41,143,553 | 22,607,698 |
| Used and unused visas and other non-current assets | 13 | 41,121,484 | 46,603,184 |
| Financial investments at FVTPL | 17 | 4,042,080 | 4,027,500 |
| Total non-current assets | | 102,265,667 | 87,903,087 |
| Current assets | | | |
| Trade receivables | 14 | 167,463,510 | 130,646,621 |
| Prepayments and other current assets | 15 | 121,135,382 | 150,513,813 |
| Due from related parties | 16 | 57,589,128 | 79,654,109 |
| Financial investments at FVTPL | 17 | 40,849,322 | - |
| Cash and cash equivalents | 18 | 62,314,136 | 55,380,958 |
| Total current assets | | 449,351,478 | 416,195,501 |
| Total assets | | 551,617,145 | 504,098,588 |
| Equity and Liabilities | | | |
| Equity | | | |
| Share capital | 19 | 150,000,000 | 150,000,000 |
| Statutory reserve | | 35,293,412 | 35,293,412 |
| Retained earnings | | 137,083,166 | 107,772,290 |
| Total equity | | 322,376,578 | 293,065,702 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Employees' benefits liabilities | 10 | 29,122,973 | 25,602,457 |
| Lease liabilities | | 24,464,455 | 10,157,893 |
| Recruitment agents' guarantees | | 1,213,649 | 1,178,329 |
| Total Non-current liabilities | | 54,801,077 | 36,938,679 |
| Current Liabilities | | | |
| Trade payables and other current liabilities | 20 | 146,358,188 | 147,905,112 |
| Retained deposits | | 7,229,429 | 7,014,634 |
| Lease liabilities | | 13,173,167 | 10,670,935 |
| Due to related parties | 16 | 405,777 | 40,180 |
| Provision for Zakat | 11 | 7,272,929 | 8,463,346 |
| Total current liabilities | | 174,439,490 | 174,094,207 |
| Total liabilities | | 229,240,567 | 211,032,886 |
| Total equity and liabilities | | 551,617,145 | 504,098,588 |


Ahmad Mohammed Alrakban
Chairman



Riyadh Ibrahim Alromaizan
Chief Executive Officer

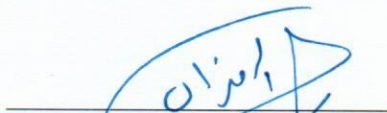

Tarek Fouad Mahmoud
Chief Financial Officer


The accompanying notes from (1) to (24) form an integral part of these condensed consolidated interim financial statements

AL MAWARID MANPOWER COMPANY
(A Saudi Joint Stock Company)
**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**
For the three-month and nine-month period ended 30 September 2023
(All amounts in Saudi Riyal unless otherwise stated)

| | <i>Notes</i> | For three-month period ended 30 September | | For nine-month period ended 30 September | |
|--|--------------|--|---------------------|---|---------------------|
| | | 2023 (Unaudited) | 2022 (Unaudited) | 2023 (Unaudited) | 2022 (Unaudited) |
| Revenue | 7 | 320,071,047 | 247,736,305 | 919,232,022 | 669,577,197 |
| Cost of revenue | 8 | (283,804,254) | (215,144,247) | (814,393,811) | (581,066,412) |
| Gross Profit | | 36,266,793 | 32,592,058 | 104,838,211 | 88,510,785 |
| Selling and marketing expenses | | (3,141,711) | (3,637,145) | (8,319,548) | (9,136,764) |
| General and administrative expenses | | (8,414,634) | (7,552,846) | (24,838,346) | (21,052,038) |
| Impairment loss on trade receivables | | (658,149) | (1,153,502) | (621,017) | (3,459,410) |
| Other income | | 1,367,039 | 722,168 | 3,437,530 | 1,558,250 |
| Profit from operations before Zakat | | 25,419,338 | 20,970,733 | 74,496,830 | 56,420,823 |
| Zakat expense | | (2,493,000) | (2,038,697) | (6,961,250) | (5,743,293) |
| Profit for the period after Zakat | | 22,926,338 | 18,932,036 | 67,535,580 | 50,677,530 |
| Other comprehensive income: | | | | | |
| Items that will not be reclassified subsequently to profit or Loss: | | | | | |
| Remeasurement gains /(loss) on employees' benefits liabilities | | 146,732 | 925,447 | (724,704) | 3,272,306 |
| Total comprehensive income for the period | | 23,073,070 | 19,857,483 | 66,810,876 | 53,949,836 |
| Earnings per share: | | | | | |
| Basic & diluted earning per share | 9 | 1.53 | 1.26 | 4.50 | 3.38 |


Ahmad Mohammed Alrakban
Chairman


Riyadh Ibrahim Alromaizan
Chief Executive Officer


Tarek Fouad Mahmoud
Chief Financial Officer

The accompanying notes from (1) to (24) form an integral part of these condensed consolidated interim financial statements


AL MAWARID MANPOWER COMPANY
(A Saudi Joint Stock Company)


CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY


For the nine-month period ended 30 September 2023

(All amounts in Saudi Riyal unless otherwise stated)

| | Share capital | Statutory reserve | Contractual reserve | Retained earnings | Total |
|--|---------------|-------------------|---------------------|-------------------|--------------|
| Balance at 1 January 2022 (Audited) | 100,000,000 | 27,694,675 | 20,000,000 | 85,329,447 | 233,024,122 |
| Net profit for the period (Unaudited) | - | - | - | 50,677,530 | 50,677,530 |
| Other comprehensive income for the period (Unaudited) | - | - | - | 3,272,306 | 3,272,306 |
| Total comprehensive income for the period (Unaudited) | - | - | - | 53,949,836 | 53,949,836 |
| Increase in share capital | 50,000,000 | - | (20,000,000) | (30,000,000) | - |
| Dividends to shareholders | - | - | - | (20,000,000) | (20,000,000) |
| Balance at 30 September 2022 (Unaudited) | 150,000,000 | 27,694,675 | - | 89,279,283 | 266,973,958 |
| Balance at 1 January 2023 (Audited) | 150,000,000 | 35,293,412 | - | 107,772,290 | 293,065,702 |
| Net profit for the period (Unaudited) | - | - | - | 67,535,580 | 67,535,580 |
| Other comprehensive loss for the period (Unaudited) | - | - | - | (724,704) | (724,704) |
| Total comprehensive income for the period (Unaudited) | - | - | - | 66,810,876 | 66,810,876 |
| Dividends to shareholders (note 23) | - | - | - | (37,500,000) | (37,500,000) |
| Balance at 30 September 2023 (Unaudited) | 150,000,000 | 35,293,412 | - | 137,083,166 | 322,376,578 |


Ahmad Mohammed Alrakban
Chairman


Riyadh Ibrahim Alromaizan
Chief Executive Officer


Tarek Fouad Mahmoud
Chief Financial Officer

The accompanying notes from (1) to (24) form an integral part of these condensed consolidated interim financial statements

AL MAWARID MANPOWER COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the nine-month period ended 30 September 2023
(All amounts in Saudi Riyal unless otherwise stated)

| | <u>Note</u> | 30 Sep 2023 (Unaudited) | 30 Sep 2022 (Unaudited) |
|---|-------------|--|--|
| Cash flows from operating activities | | | |
| Net profit before Zakat | | 74,496,830 | 56,420,823 |
| Adjustments for non-cash items: | | | |
| Depreciation on property and equipment | | 1,529,645 | 1,050,152 |
| (Gain) on disposal of property and equipment | | (80,155) | (47,746) |
| Amortisation of intangibles assets | | 463,479 | 500,093 |
| Depreciation on right of use assets | | 12,429,988 | 9,669,839 |
| Finance costs – leases | | 1,568,129 | 737,766 |
| (Gain) on disposal of right of use asset | | - | (4,535) |
| Impairment loss on trade receivables | 14 | 621,017 | 3,459,410 |
| (Gain) from financial investments at FVTPL | 17 | (853,690) | (102,449) |
| Provision for employees' benefits liabilities | 10 | 8,114,506 | 9,581,313 |
| | | 98,289,749 | 81,264,666 |
| Changes in working capital: | | | |
| Used and unused visas and other non-current assets | | 5,481,700 | (10,435,687) |
| Trade receivables | | (37,437,906) | (49,483,055) |
| Prepayments and other current assets | | 29,378,431 | (21,749,003) |
| Due from and to related parties | | 22,430,578 | (2,221,116) |
| Recruitment agents guarantees | | 35,320 | (57,922) |
| Trade payables and other current liabilities | | (1,546,924) | 26,179,647 |
| Retained deposits | | 214,795 | (1,151,258) |
| Employees' benefits liabilities paid | 10 | (5,318,694) | (3,890,067) |
| Interest paid | | (1,568,128) | (737,766) |
| Zakat paid | 11 | (8,151,667) | (6,592,096) |
| Net cash flows generated from operating activities | | 101,807,254 | 11,126,343 |
| Cash flows from investing activities | | | |
| Acquisition of property and equipment | | (2,827,284) | (1,651,017) |
| Proceed from disposal of property and equipment | | 162,695 | 50,250 |
| Acquisition of intangible assets | | (542,225) | (240,150) |
| Acquisition of financial investments at FVTPL | 17 | (50,010,212) | (13,000,000) |
| Proceeds from sale of financial investments at FVTPL | 17 | 10,000,000 | 33,934,989 |
| Net cash flows (used in) / generated from investing activities | | (43,217,026) | 19,094,072 |
| Cash flows from financing activities | | | |
| Dividends paid to shareholders | 23 | (37,500,000) | (14,807,572) |
| Payment of lease liabilities with out finance expense | | (14,157,050) | (10,972,707) |
| Net cash flows (used in) financing activities | | (51,657,050) | (25,780,279) |
| Net change in cash and cash equivalents | | 6,933,178 | 4,440,136 |
| Cash and cash equivalents at the beginning of the period | | 55,380,958 | 26,627,152 |
| Cash and cash equivalents at the end of the period | | 62,314,136 | 31,067,288 |
| Non-cash transactions: | | | |
| Write-off of debts and trade receivables's settlements | 14 | 125,000 | - |
| Remeasurement of Employees' benefits liabilities | 10 | (724,704) | 3,272,306 |
| Additions of right-of-use assets under lease liabilities | | 30,965,843 | 8,590,223 |
| Disposal of right-of-use assets under lease liabilities | | - | (54,230) |
| Dividends | | - | 5,192,428 |
| Transfer from contractual reserve to capital increase | | - | (20,000,000) |
| Transfer from retained earning to capital increase | | - | (30,000,000) |

Ahmad Mohammed Alrakban
Chairman

Riyadh Ibrahim Alromaizan
Chief Executive Officer

Tarek Fouad Mahmoud
Chief Financial Officer

The accompanying notes from (1) to (24) form an integral part of these condensed consolidated interim financial statements

AL MAWARID MANPOWER COMPANY
(A Saudi Joint Stock Company)
Notes to the Condensed consolidated interim financial statements
For the nine-month period ended 30 September 2023

1. General information

AL-Mawarid Manpower Company is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010343697 issued in Riyadh on 12 Sha'aban 1433H (corresponding to 2 July 2012).

The principal activities of the Company and its subsidiaries (the "Group") are to provide the activities of recruitment services for domestic workers and temporary employment agencies for domestic services and expatriate labor services, under a license Ministry of Labor No. (6 /UMM) dated 5 Muharram 1434H (corresponding to 19 November 2012), in addition to providing a Saudi Manpower service.

The headquarter of the Group is located in Riyadh, Al-Rawda District, P.O. Box 120058, Riyadh 11679, Kingdom of Saudi Arabia.

On 26 December 2022, the Capital Market Authority announced the approval to offer 4.5 million shares for public subscription representing 30% of the Group's shares. On 19 June 2023, the Group's shares started trading on Tadawul as a Joint Stock Company

The accompanying condensed consolidated interim financial statements include the branches of the Group listed below which operate under the following sub-commercial registrations:

| Branch | CR No. | Date |
|-----------------------------|------------|---|
| Riyadh - domestic workers | 1010369956 | 27 Jumada' I 1434H (corresponding 8 April 2013) |
| Riyadh - expatriate workers | 1010369960 | 25 Jumada' I 1434H (corresponding 6 April 2013) |
| Al Khobar | 2051060639 | 2 Sha'aban 1436H (corresponding to 20 May 2015) |
| Buraidah | 1131056623 | 21 Rabi' II 1437H (corresponding to 31 January 2016) |
| Al Jubail | 2055024837 | 20 Jumada' I 1437H (corresponding to 29 February 2016) |
| Hail | 3350044313 | 3 Dhul-Hijjah 1437H (corresponding to 4 September 2016) |
| Jeddah | 4030292526 | 22 Rabi' I 1438H (corresponding to 21 December 2016) |
| Riyadh - Al Taawun | 1010466766 | 29 Rabi' I 1438H (corresponding to 28 December 2016) |
| Al Madinah Al Monawarah | 4650081885 | 3 Rabi' II 1438H (corresponding to 1 January 2017) |
| Riyadh - Al Rawda | 1010638704 | 26 Shawwal 1441H (corresponding to 17 June 2020) |
| Uniza | 1128184135 | 26 Shawwal 1441H (corresponding to 17 June 2020) |
| Abha | 5850129737 | 22 Rabi' II 1442H (corresponding to 7 December 2020) |
| Tabouk | 3550143539 | 28 Rajab 1443H (corresponding to 1 March 2022) |
| Al Ahsa | 2031110814 | 13 Rabi' I 1444H (corresponding to 9 October 2022) |
| Riyadh -Narges | 1010873667 | 15 Ramadan 1444H (corresponding to 5 April 2023) |

The condensed consolidated interim financial statements for the nine-month period ended 30 September 2023 include the financial position and results of the operations of the Company and its subsidiaries (all referred to as the "Group") as explained below:

| Subsidiary's name | Legal Entity | Share holding | |
|---|---|---------------|------|
| | | 2023 | 2022 |
| Musanid Al Marafiq for Maintenance and Cleaning | (A single Member Limited Liability Company) | 100% | 100% |
| Sawaid Manpower Company | (A single Member Limited Liability Company) | 100% | 100% |

According to the Company's by-laws, the financial year of the Company begins on 1st January and ends on 31st December of each Gregorian year. The financial year of the subsidiaries begins on 1st January and ends on 31st December of each Gregorian year.

AL MAWARID MANPOWER COMPANY
(A Saudi Joint Stock Company)
Notes to the Condensed consolidated interim financial statements
For the nine-month period ended 30 September 2023

2. Basis of preparation

These condensed consolidated interim financial statements for the nine-month period ended 30 September 2023 have been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and professional Accountants ("SOCPA").

The condensed consolidated interim financial statements should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2022 ("last annual consolidated financial statements"). These condensed consolidated interim financial statements do not include all of information and disclosures required to prepare a full set of financial statements prepared under IFRS. However, selected accounting policies and explanatory notes are included to explain events and transactions that are significant to understand the changes in the Group's financial position and performance since the latest consolidated annual financial statements.

These condensed consolidated interim financial statements have been approved for issuance by the Board of Directors on 6 November 2023 (corresponding to 22 Rabi' II 1445H).

a. Basis of measurement

These condensed consolidated interim financial statements have been prepared on historical cost basis except for employees' benefits obligations that are measured at the present value of future obligations using the projected unit credit method and the financial investments that are measured at the fair value. Further, condensed consolidated interim financial statements have been prepared using the accrual basis of accounting and the going concern concept.

b. Functional and presentation currency

These condensed consolidated interim financial statements have been presented in Saudi Riyal ("SAR"), which is the Group's functional and presentation currency.

3. Use of judgment and estimates

In preparing these condensed consolidated interim financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of revenues, costs, assets and liabilities. Actual results may differ from these estimates.

The significant estimates made by the management when applying the Group's accounting policies and the significant sources of uncertainties of the estimates were similar to those shown in the Group's last annual consolidated financial statements.

Fair value measurement

A number of the Group's accounting policies require the measurement of fair values for financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

The valuation team regularly reviews significant unobservable input and adjustments to the evaluation. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified.

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

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

AL MAWARID MANPOWER COMPANY
(A Saudi Joint Stock Company)
Notes to the Condensed consolidated interim financial statements
For the nine-month period ended 30 September 2023

3. Use of judgment and estimates (continued)

Fair value measurement (continued)

If the inputs used to measure the fair value of the assets and liabilities fall within different levels in the fair value hierarchy, then the fair value is categorized as a whole using the lowest level of the fair value hierarchy inputs that are significant to the measurement as a whole.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

4. Significant accounting policies

The accounting policies used when preparing these condensed consolidated interim financial statements are in line with what is stated in the notes to the consolidated financial statements of the Group for the year ended 31 December 2022. With the exception of applying the amendments and interpretations in effect as of 1 January 2023, as mentioned in Note (5-a).

The principal accounting policies have been consistently applied to all periods presented in these condensed consolidated interim financial statements.

5. New standards or amendments effective in 2023 and subsequent years

The following are a number of standards, amendments and interpretations of standards that were issued by the IASB on 20 March 2023.

a) Currently effective new standards, interpretations and amendments:

| Effective date | New Standards and Amendments |
|----------------|--|
| 1 January 2023 | IFRS 17 Insurance contracts |
| | Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2). |
| | Definition of accounting estimates (amendments to IAS 8). |
| | Deferred Tax related to Assets and Liabilities arising from a single transaction (Amendments to IAS 12). |

Management conducted a financial impact assessment and found that there was no impact on the condensed consolidated interim financial statements as at 30 September 2023.

b) Forthcoming requirements

Standards and amendments issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below.

| Effective date | New Standards and Amendments |
|--|--|
| 1 January 2024 | Non-current liabilities with covenants and Classification of liabilities as current/non-current (Amendments to IAS 1). |
| | Lease Liability in a sale and leaseback – Amendments to IFRS 16 |
| Available for optional adoption/effective date deferred indefinitely | Sale or contribution of assets between the investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28). |

Management will assess the financial impact of the new standards and amendments and management expects that they will have no impact on the group's financial statements

AL MAWARID MANPOWER COMPANY

(A Saudi Joint Stock Company)

Notes to the Condensed consolidated interim financial statements

For the nine-month period ended 30 September 2023

(All amounts in Saudi Riyal unless otherwise stated)

6. Segments information

The operating segment is a component of the Group that:

- Performs activities from which revenue can be realized and expenses may be incurred,
- The results of its operations are constantly analyzed by management in order to make decisions regarding resource allocation and performance evaluation, and
- For which financial information is available.

The group has the following three strategic divisions, which are its reported segments. These segments provide services to different kinds of customer segments and are managed through different strategies. The following summary describes the operations of each reportable sectors:

• **Corporate sector:** This sector relates to providing an expatriate and Saudi manpower services to companies, whose contracts are for two years.

• **Individual's sector:** This sector relates to providing domestic labor services to individuals' clients ranging from the duration of their contracts ranges from month to two years.

• **Hourly sector:** This sector relates to the cleaning services provided to individuals' clients by hour/visit, mostly each cleaning visit is four hours.

| | For the three-month period ended 30 September 2023 (Unaudited) | | | |
|-----------------|--|--------------------|---------------|---------------|
| | Corporate Sector | Individuals Sector | Hourly Sector | Total |
| Revenue | 219,506,123 | 64,514,511 | 36,050,413 | 320,071,047 |
| Cost of revenue | (190,710,646) | (61,642,517) | (31,451,091) | (283,804,254) |
| Gross profit | 28,795,477 | 2,871,994 | 4,599,322 | 36,266,793 |

| | For the three-month period ended 30 September 2022 (unaudited) | | | |
|-----------------|--|--------------------|---------------|---------------|
| | Corporate Sector | Individuals Sector | Hourly Sector | Total |
| Revenue | 164,669,256 | 53,212,070 | 29,854,979 | 247,736,305 |
| Cost of revenue | (144,249,060) | (47,887,217) | (23,007,970) | (215,144,247) |
| Gross profit | 20,420,196 | 5,324,853 | 6,847,009 | 32,592,058 |

| | For the nine-month period ended 30 September 2023 (unaudited) | | | |
|-----------------|---|--------------------|---------------|---------------|
| | Corporate Sector | Individuals Sector | Hourly Sector | Total |
| Revenue | 614,617,855 | 197,483,015 | 107,131,152 | 919,232,022 |
| Cost of revenue | (537,239,086) | (188,851,489) | (88,303,236) | (814,393,811) |
| Gross profit | 77,378,769 | 8,631,526 | 18,827,916 | 104,838,211 |

| | For the nine-month period ended 30 September 2022 (unaudited) | | | |
|-----------------|---|--------------------|---------------|---------------|
| | Corporate Sector | Individuals Sector | Hourly Sector | Total |
| Revenue | 438,446,221 | 143,386,575 | 87,744,401 | 669,577,197 |
| Cost of revenue | (389,157,686) | (126,262,498) | (65,646,228) | (581,066,412) |
| Gross profit | 49,288,535 | 17,124,077 | 22,098,173 | 88,510,785 |

Since the Group's activities depend on manpower services and have no direct connection to the Group's assets and liabilities, therefore, it is not possible and impractical to disclose information pertaining to total assets and total liabilities pertaining to business segments.

AL MAWARID MANPOWER COMPANY
(A Saudi Joint Stock Company)
Notes to the Condensed consolidated interim financial statements
For the nine-month period ended 30 September 2023
(All amounts in Saudi Riyal unless otherwise stated)

6. Segments information (continued)

| Unallocated income / (expenses) | For three-month period ended 30 September | | For nine-month period ended 30 September | |
|--|--|---------------------|---|---------------------|
| | 2023 (Unaudited) | 2022 (Unaudited) | 2023 (Unaudited) | 2022 (Unaudited) |
| Gross profit | 36,266,793 | 32,592,058 | 104,838,211 | 88,510,785 |
| Selling and marketing expenses | (3,141,711) | (3,637,145) | (8,319,548) | (9,136,764) |
| General and administrative expenses | (8,414,634) | (7,552,846) | (24,838,346) | (21,052,038) |
| Impairment loss on trade receivables | (658,149) | (1,153,502) | (621,017) | (3,459,410) |
| Other income | 1,367,039 | 722,168 | 3,437,530 | 1,558,250 |
| Profit from operations before Zakat | 25,419,338 | 20,970,733 | 74,496,830 | 56,420,823 |
| Zakat expense | (2,493,000) | (2,038,697) | (6,961,250) | (5,743,293) |
| Profit for the period after Zakat | 22,926,338 | 18,932,036 | 67,535,580 | 50,677,530 |

7. Revenue

In the following tables, revenues are disaggregated by type of sector, customer and duration of contracts during the three and nine month periods ended 30 September 2023 and 2022:

| <u>Type of Sector</u> | For the three month period ended 30 September | | For the nine month period ended 30 September | |
|-----------------------|--|---------------------|---|---------------------|
| | 2023 (Unaudited) | 2022 (Unaudited) | 2023 (Unaudited) | 2022 (Unaudited) |
| Corporate | 219,506,123 | 164,669,256 | 614,617,855 | 438,446,221 |
| Individuals | 64,514,511 | 53,212,070 | 197,483,015 | 143,386,575 |
| Hourly "Hemma" | 36,050,413 | 29,854,979 | 107,131,152 | 87,744,401 |
| | 320,071,047 | 247,736,305 | 919,232,022 | 669,577,197 |

| <u>Type of customers</u> | For the three month period ended 30 September | | For the nine month period ended 30 September | |
|--------------------------|--|---------------------|---|---------------------|
| | 2023 (Unaudited) | 2022 (Unaudited) | 2023 (Unaudited) | 2022 (Unaudited) |
| Retail | 100,564,924 | 83,067,049 | 304,614,167 | 231,130,976 |
| Construction | 118,219,067 | 65,708,841 | 315,916,375 | 144,603,870 |
| Operation & Maintenance | 25,181,366 | 23,650,168 | 72,826,864 | 70,983,708 |
| Hospitality | 23,305,936 | 26,985,121 | 71,398,577 | 80,661,701 |
| Commercial and services | 18,247,475 | 19,448,055 | 53,488,102 | 54,390,925 |
| Healthcare | 15,199,220 | 13,616,622 | 42,691,966 | 38,309,737 |
| Manufacturing | 11,475,439 | 9,032,113 | 34,717,256 | 28,166,970 |
| Transportation | 7,554,916 | 5,874,093 | 22,570,328 | 20,015,896 |
| Other | 322,704 | 354,243 | 1,008,387 | 1,313,414 |
| | 320,071,047 | 247,736,305 | 919,232,022 | 669,577,197 |

| <u>Duration of contracts</u> | For the three month period ended 30 September | | For the nine month period ended 30 September | |
|------------------------------|--|---------------------|---|---------------------|
| | 2023 (Unaudited) | 2022 (Unaudited) | 2023 (Unaudited) | 2022 (Unaudited) |
| More than 1 year | 229,183,912 | 178,068,015 | 650,286,977 | 472,295,269 |
| One year and less | 90,887,135 | 69,668,290 | 268,945,045 | 197,281,928 |
| | 320,071,047 | 247,736,305 | 919,232,022 | 669,577,197 |

AL MAWARID MANPOWER COMPANY
(A Saudi Joint Stock Company)
Notes to the Condensed consolidated interim financial statements
For the nine-month period ended 30 September 2023
(All amounts in Saudi Riyal unless otherwise stated)

8. Cost of Revenue

| | For the three month period ended 30 September | | For the nine month period ended 30 September | |
|-------------------------------------|--|--------------------|---|--------------------|
| | 2023 | 2022 | 2023 | 2022 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Salaries and benefits | 205,507,680 | 161,744,679 | 588,978,201 | 430,398,924 |
| Government and other direct costs | 64,385,474 | 44,162,190 | 186,795,182 | 124,459,519 |
| Depreciation on right of use assets | 4,240,740 | 3,400,266 | 12,373,170 | 9,592,019 |
| Utilities | 1,561,633 | 984,680 | 4,481,377 | 3,087,802 |
| Bank charges | 1,203,068 | 926,608 | 3,321,181 | 2,560,398 |
| Catering expenses | 973,420 | 830,035 | 2,706,642 | 2,315,006 |
| Accommodation | 411,764 | 263,493 | 1,127,401 | 1,338,912 |
| Depreciation and amortization | 423,840 | 237,556 | 1,139,843 | 642,271 |
| Finance cost of leases | 642,163 | 289,205 | 1,561,705 | 758,649 |
| Operating expenses | 4,454,472 | 2,305,535 | 11,909,109 | 5,912,912 |
| | 283,804,254 | 215,144,247 | 814,393,811 | 581,066,412 |

9. Basic and diluted earnings per share

Basic and diluted earnings per share are computed by dividing the net profit for the period by the weighted average number of outstanding shares for the three and nine month periods ended 30 September 2023 and 2022, as follows:

| | For the three-month period ended 30 September | | For the nine-month period ended 30 September | |
|--|--|--------------------|---|--------------------|
| | 2023 | 2022 | 2023 | 2022 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Net profit for the period | 22,926,338 | 18,932,036 | 67,535,580 | 50,677,530 |
| Weighted average number of shares | 15,000,000 | 15,000,000 | 15,000,000 | 15,000,000 |
| Basic & diluted earnings per share from net income of the period | 1.53 | 1.26 | 4.50 | 3.38 |

10. Employees' benefits liabilities

The Group operates a defined benefit plan in line with the Labor Law requirement in the Kingdom of Saudi Arabia.

The amounts paid at the end of service under the plan are calculated on the basis of the employees' last salaries and allowances and the number of their accumulated years of service as on the date of the end of their services, as outlined in the labor law in force in the Kingdom of Saudi Arabia.

Employees' end-of-service benefit plans are unfunded. Benefits payment liabilities are met when due.

The below table outlines the movement of employees' benefits liabilities during the period/ year ended 30 September 2023 and 31 December 2022:

| | 30 September 2023 | 31 December 2022 |
|---|------------------------------|-----------------------------|
| | (Unaudited) | (Audited) |
| Balance at beginning of the period / year | 25,602,457 | 27,584,798 |
| Included in profit or loss | | |
| Current service cost | 7,493,251 | 7,460,156 |
| Interest expense | 621,255 | 614,034 |
| Payments and settlements | (5,318,694) | (6,002,322) |
| Included in other comprehensive income | | |
| Remeasurement losses / (gains) of employees' benefits liabilities | 724,704 | (4,054,209) |
| Balance at end of period / year | 29,122,973 | 25,602,457 |

AL MAWARID MANPOWER COMPANY
(A Saudi Joint Stock Company)
Notes to the Condensed consolidated interim financial statements
For the nine-month period ended 30 September 2023
(All amounts in Saudi Riyal unless otherwise stated)

11. Provision for Zakat

(a) The Group's consolidated Zakat liabilities consist of Zakat that has been calculated on the basis of the separate interim financial statements of each individual company.

(b) Provision for Zakat

The movement in Zakat provision is as follows:

| | 30 September 2023 (Unaudited) | 31 December 2022 (Audited) |
|---|--|---|
| Balance at beginning of the period / year | 8,463,346 | 6,787,961 |
| Prior period / year differences | - | 8,097 |
| Amounts paid during the period / year | (8,151,667) | (6,592,096) |
| Provision for the period / year | 6,961,250 | 8,259,384 |
| Balance at end of period / year | <u>7,272,929</u> | <u>8,463,346</u> |

(c) Status of final assessments

The Company and its subsidiaries filed Zakat returns to the Zakat, Tax and Customs Authority "ZATCA", and obtained a Zakat certificate until the end of the fiscal year ended 31 December 2022.

During 2021, Al Mawarid Manpower Company received the final assessments for the years 2015 to 2018 with Zakat differences totaling SR 2,069,020. An amount of SR 994,329 has been approved and paid by the Company, and it objected to the rest of the claim. ZATCA accepted certain items for an amount of SR 502,467 and rejected the objection to other items for a total amount of SR 572,224, and accordingly the Group escalated the dispute to the General Secretariat of the Tax Committees ("GSTC").

On 5 June 2022, the hearing session set by the GSTC was attended by representatives of the Company and its tax advisor. The decision was issued at the end of the hearing session approving some of the escalation items and rejecting others. The official decisions were received on 25 July 2022, and the appeal memorandum was submitted to the Appeal Committee on 21 August 2022.

In October 2023, the Appeals Committee's decision was issued which ruled in favor of the Group on items equivalent to SR 500,000 of the total amount of the dispute, and ruling in favor of the ZATCA amounted to SR 72,224. As at the date of issuance these condensed consolidated interim financial statements, the final assessment for the years ended 31 December 2019, 2020, 2021 and 2022 has not been received.

The necessary provisions have been calculated for the items mentioned in the aforementioned Zakat assessments and approved by the Company, for the years for which the Zakat assessment has not yet been made.

The subsidiary, Musanid Al Marafiq for Maintenance and Cleaning have received the final zakat assessment for the year 2018 with zakat differences of SR 72,780, and an amount of SR 2,182 was approved and paid, and the rest of the amount was objected to, but the objection was rejected by ZATCA. Therefore, The Company escalates the grievance against the ZATCA's decision to General Secretariat of Zakat, Tax and Customs Committees ("GSTC"). GSTC's decision was issued in support of ZATCA's assessment, based on the fact that the company did not submit the required documents, which is an incorrect reliance. An appeal memorandum was submitted to the Appeal Committee.

In September 2023, the Appeals Committee's decision was issued in favor of the Group for the total amount of the dispute. In 17 July 2022, the subsidiary has received the final zakat assessment for the year 2020 with a Zakat difference of SR 8,097, and the management approved and paid the amount. As of the date of issuance of these condensed consolidated interim financial statements, the final assessment for the year ended 31 December 2021 and 2022 has not been received.

The subsidiary company, Sawaid Manpower Company has not received any Zakat assessment from ZATCA, knowing that the first Zakat return submitted by the subsidiary is for the year 2020.

12. Property and equipment

As at 30 September 2023, the total cost of property and equipment was SR 25.21 million (31 December 2022: SR 23,81 million), and the accumulated depreciation was SR 10.70 million as at 30 September 2023 (31 December 2022: SR 10,52 million).

As at 30 September 2023, the net value of property and equipment was 14.51 million (31 December 2022: SR 13,29 million).

AL MAWARID MANPOWER COMPANY
(A Saudi Joint Stock Company)
Notes to the Condensed consolidated interim financial statements
For the nine-month period ended 30 September 2023
(All amounts in Saudi Riyal unless otherwise stated)

13. Used and unused visas and other non-current assets

The unused visas represent the value of the visas paid to ministry of labor and have not been used until the date of statement of financial position. And, the amounts of the visas are transferred to the used visas upon the arrival of the recruited manpower to the territory of the Kingdom of Saudi Arabia.

The movement of the visa balance during the period/ year is as follows:

| | 30 September 2023 (Unaudited) | 31 December 2022 (Audited) |
|--|--|---|
| Balance at beginning of the period / year | 29,140,000 | 27,784,000 |
| Purchased visas during the period / year | 34,300,000 | 46,930,000 |
| Expired visas refunded during the period / year | (2,530,000) | (8,746,000) |
| Transferred to used visas during the period / year | (21,030,000) | (36,828,000) |
| Unused visas as at the end of the period / year (*) | 39,880,000 | 29,140,000 |
| Add: used visas balance - non-current portion (Note 15) | 3,889,447 | 4,819,050 |
| Less: unused visas balance - current portion (Note 15) | (14,621,000) | (11,564,000) |
| Used and unused visas as at the end of the period / year | 29,148,447 | 22,395,050 |
| Add: Recruitment fees – non-current portion | 11,973,037 | 24,208,134 |
| Balance at end of the period / year | 41,121,484 | 46,603,184 |

(*) The unused visas were analyzed as follows:

| | | |
|------------------------------------|------------|------------|
| Unused visas - current portion | 14,621,000 | 11,564,000 |
| Unused visas - non-current portion | 25,259,000 | 17,576,000 |

14. Trade receivables

| | 30 September 2023 (Unaudited) | 31 December 2022 (Audited) |
|--|--|---|
| Trade receivables | 196,769,569 | 159,456,663 |
| Less: Allowance for expected credit losses | (29,306,059) | (28,810,042) |
| | 167,463,510 | 130,646,621 |

The Group applies the simplified approach in IFRS 9 to measure the expected credit loss which uses a lifetime expected loss allowance for all trade receivables.

Movement in impairment of trade receivable balances during the period / year is as follows:

| | 30 September 2023 (Unaudited) | 31 December 2022 (Audited) |
|--|--|---|
| Balance at beginning of the period / year | 28,810,042 | 28,519,911 |
| Provided during the period / year | 621,017 | 2,408,253 |
| Trade receivables written-off during the period / year | (125,000) | (2,118,122) |
| Balance at end of the period / year | 29,306,059 | 28,810,042 |

Trade receivables are written-off when there is no reasonable expectation of recovery. Indications that there are no reasonable expectations of collection include, among other things, the debtor's failure to agree on a payment plan with the Group and the failure to make contractual payments.

The balance of trade receivables as at 30 September 2023 includes an amount of SR 20 million secured by bank guarantees, promissory notes and term cheques (31 December 2022: SR 20 million).

AL MAWARID MANPOWER COMPANY
(A Saudi Joint Stock Company)
Notes to the Condensed consolidated interim financial statements
For the nine-month period ended 30 September 2023
(All amounts in Saudi Riyal unless otherwise stated)

15. Prepayments and other current assets

| | 30 September 2023 (Unaudited) | 31 December 2022 (Audited) |
|--|--|---|
| Due from Zakat, Tax and custom Authority * | 3,410,241 | 41,118,707 |
| Residency and work permit fees | 13,970,417 | 14,043,987 |
| Recruitment fees – current portion | 41,150,222 | 53,330,712 |
| Unused visas - current portion (Note 13) | 14,621,000 | 11,564,000 |
| Advances to suppliers | 23,812,671 | 9,562,258 |
| Used visas - current portion ** | 10,866,435 | 11,498,802 |
| Advances to employees | 1,768,124 | 2,382,940 |
| Prepaid other expenses | 6,365,658 | 4,509,395 |
| Other | 6,288,908 | 3,621,306 |
| | 122,253,676 | 151,632,107 |
| Less: impairment of other current assets *** | (1,118,294) | (1,118,294) |
| | 121,135,382 | 150,513,813 |

(*) Due from Zakat, Tax and custom Authority

During the month of December 2020, the Zakat, Tax and Customs Authority (ZATCA) re-evaluated the VAT returns submitted by the Group for the periods from May 2018 to December 2019 with a VAT difference of SR 21,955,089. The dispute mainly relates to recalculation of the VAT on salaries and government fees for the workers outsourced their services to the Group's customers, in violation of the value-added tax regulations, the implementing regulations and the guideline for applying the VAT on employee benefits. The Group's management paid the total tax differences to benefit from the ZATCA's initiative to exempt from the fines that existed at that time, and submitted objections to all periods to the ZATCA with all evidence and support, and even correspondence with the ZATCA in particular, which supported the validity of the VAT returns submitted by the Group.

In March 2021, the Group received the ZATCA's decision to reject the objections submitted for the above-mentioned differences, so the Group's management took a decision to amend the VAT returns for the periods from January 2020 to February 2021 and pay the tax differences totaling SR 26,489,954, to take advantage of the initiative to exempt from fines in order to spare the Group any risks that may result when the dispute is finally resolved, noting that the Group paid fines for the months of December 2020 and January 2021, for being outside the scope of the ZATCA's initiative to exempt from fines, with a total amount of SR 325,918.

The Group filed a grievance against the ZATCA's decision with the General Secretariat of the Tax Committees (GSTC) and issued debit notes to its customers and related parties to VAT differences related to the workers seconded to them for all the periods referred to above for a total amount of SR 48,445,043 so that they can deduct the amounts that It belongs to them in their VAT returns, and the Group has also changed the method of calculating the VAT to include the salaries of seconded workers and any other items included in the invoices as of March 2021 until the dispute is finally settled and ZATCA is notified of that.

Certain clients have paid the VAT differences related to the labor they work for totaling SR 7,652,255, and others have requested to postpone the payment until the dispute is finally decided upon by the GSTC, relying on the validity of the invoices received from the Group for the mentioned periods and that they were correct in accordance with the VAT regulations, VAT implementing regulation and the VAT guides.

On October 28, 2021, the session set by the GSTC was attended by representatives of the Group and its tax advisor. After hearing both disputing parties, the GSTC's decision at the end of the session was in the interest of the Group, as the ZATCA's decision to reassessed the returns submitted by the Group was cancelled.

On 12 January, 1 February and 6 February of 2022, the company have been received formal decisions from GSTC for all cases filed before it (20 months). ZATCA appealed the GSTC's decisions.

AL MAWARID MANPOWER COMPANY
(A Saudi Joint Stock Company)
Notes to the Condensed consolidated interim financial statements
For the nine-month period ended 30 September 2023
(All amounts in Saudi Riyal unless otherwise stated)

15. Prepayments and other current assets (continued)

(*) Due from Zakat, Tax and custom Authority (continued)

During December 2022, a notification was received from GSTC stating that ZATCA had abandoned all existing cases related to the Group and stopped continuing the appeal submitted by it in GSTC's decision issued in October 2021.

During January 2023, ZATCA began to cancel the reassessment of tax returns that previously conducted for the periods referred to above. ZATCA has amended certain returns and refunded an amount of SR 45.31 million to the Group's accounts, and the rest of the returns are being amended and their amounts will be refunded to the Group's accounts amounting to SR 3.4 million. The group issued credit notes in favor of customers to meet the debit notes previously issued to them as indicated above.

A related party and certain clients have stopped paying VAT calculated on workers' salaries and government fees as of March 2021, after adjusting the VAT calculation in VAT invoices as described above. Accordingly, the group calculated these differences from March 2021 to December 2022 and deducted them as part of the VAT return for February 2023 with a total amount of SR 14.03 million. The February 2023 VAT amount was deducted of SR 5.74 million, and the remaining amount of SR 8.29 million was received from ZATCA during April 2023.

Based on the foregoing, the tax dispute that existed between the Group and ZATCA has been completely resolved in favor of the Group.

(**) The movement of the used visas balance during the period/ year is as follows:

| | 30 September 2023 (Unaudited) | 31 December 2022 (Audited) |
|---|--|---|
| Balance at beginning of the period / year | 16,317,852 | 12,051,614 |
| Used visas transferred during the period / year | 21,895,613 | 37,520,639 |
| Amortization during the period / year | (23,457,583) | (33,254,401) |
| Balance at end of period / year | <u>14,755,882</u> | <u>16,317,852</u> |
| The used visas were analyzed as follows: | | |
| Used visas - current portion | 10,866,435 | 11,498,802 |
| Used visas - non-current portion (Note 13) | <u>3,889,447</u> | <u>4,819,050</u> |

(***) The movement in impairment of prepayments and other current assets during the period / year is as follows:

| | 30 September 2023 (Unaudited) | 31 December 2022 (Audited) |
|--|--|---|
| Balance at beginning of the period / year | 1,118,294 | 1,110,899 |
| Provided during the period/ year | - | 922,216 |
| Other current assets written off during the period /year | - | (914,821) |
| Balance at end of period / year | <u>1,118,294</u> | <u>1,118,294</u> |

16. Transactions and balances with related parties

Related parties represent key management personnel, members of the board of directors, shareholders of the Group and their associates. Related parties also include business entities in which some members of the board of directors or key management personnel have an interest (other related parties).

Transactions with related parties and jointly controlled entities are carried out in accordance with the terms and conditions approved by the Group's management or the Board of Directors.

AL MAWARID MANPOWER COMPANY
(A Saudi Joint Stock Company)
Notes to the Condensed consolidated interim financial statements
For the nine-month period ended 30 September 2023
(All amounts in Saudi Riyal unless otherwise stated)

16. Transactions and balances with related parties (continued)

The following are the most significant transactions with related parties carried out by the Group for the nine-month periods ended 30 September 2023 and 2022:

a) Key management personnel compensation:

| | 30 September 2023 (Unaudited) | 30 September 2022 (Unaudited) |
|---|-------------------------------------|-------------------------------------|
| Employees' salaries and other short-term benefits | 7,018,648 | 6,250,932 |
| Post-employment benefits | 307,404 | 248,464 |
| | <u>7,326,052</u> | <u>6,499,396</u> |

b) Board of Directors' remuneration and allowances

| | 30 September 2023 (Unaudited) | 30 September 2022 (Unaudited) |
|--|-------------------------------------|-------------------------------------|
| Board remunerations | 1,575,000 | 1,031,944 |
| Allowances and compensations for members of board committees | 723,750 | 589,584 |
| | <u>2,298,750</u> | <u>1,621,528</u> |

c) Business transactions with related parties

The following table presents amounts of business transactions that carried out with related parties during six month periods ended 30 September 2023 and 2022:

| Name of the related party | Nature of relationship | Nature of transactions | Amounts of transactions for the six month periods ended 30 September | |
|--|--|--|---|---------------------|
| | | | 2023 (Unaudited) | 2022 (Unaudited) |
| Mawaridkum Group Trading Company | Shareholder | Revenue against rendering labor services | 25,040,747 | 35,875,123 |
| | | Cost of labor paid on behalf of shareholder | 834,302 | 7,002,421 |
| Al-Ayuni Investment and Contracting Company | Shareholder | Revenue against rendering labor services | 130,315,469 | 37,785,321 |
| | | Cost of labor paid on behalf of shareholder | 26,749,080 | 11,553,863 |
| Khalda Group Trading Company | Shareholder | Revenue against rendering labor services | 220,787 | 256,128 |
| | | Cost of labor paid on behalf of shareholder | 5,175 | 96,090 |
| | | Project management fees to the shareholder | 76,430 | 101,162 |
| Other related parties | Entities under common control | Revenue against rendering labor services | 6,517,468 | 8,999,854 |
| | | Cost of labor paid on behalf of shareholder | 1,680,364 | 1,816,526 |

d) Related parties balances

The following table presents the balances due from / to related parties as at 30 September 2023 and 31 December 2022:

| | 30 September 2023 (Unaudited) | 31 December 2022 (Audited) |
|---|-------------------------------------|----------------------------------|
| Due from related parties | | |
| Mawaridkum Group Trading Company | 23,237,684 | 38,985,848 |
| Al-Ayuni Investment and Contracting Company | 31,032,478 | 32,292,336 |
| Khalda Group Trading Company | - | 203,566 |
| Other related parties | 3,318,966 | 8,172,359 |
| | <u>57,589,128</u> | <u>79,654,109</u> |

AL MAWARID MANPOWER COMPANY
(A Saudi Joint Stock Company)
Notes to the Condensed consolidated interim financial statements
For the nine-month period ended 30 September 2023
(All amounts in Saudi Riyal unless otherwise stated)

16. Transactions and balances with related parties (continued)

| | 30 September 2023 (Unaudited) | 31 December 2022 (Audited) |
|-------------------------------|--|---|
| Due to related parties | | |
| Khalda Group Trading Company | 343,311 | - |
| Other related parties | 62,466 | 40,180 |
| | <u>405,777</u> | <u>40,180</u> |

17. Financial investments at fair value through profit or loss (FVTPL)

Financial investments at FVTPL represent investment in Al Rajhi Commodity Trading Fund and investment in the sukuk of Al-Rajhi Bank.

The movement in the investments in FVTPL during the period / year is as follows:

| | 30 September 2023 (Unaudited) | 31 December 2022 (Audited) |
|---|--|---|
| Balance at beginning of the period / year | 4,027,500 | 30,387,909 |
| Additions during the period / year | 50,010,212 | 17,000,000 |
| Disposal during the period / year | (10,000,000) | (43,507,522) |
| Net change in fair value during the period / year | 853,690 | 147,113 |
| Balance at end of period / year | <u>44,891,402</u> | <u>4,027,500</u> |

Financial investments at FVTPL are presented in the condensed consolidated statement of financial position as follows:

| | | |
|---------------------|-------------------|------------------|
| Non-current portion | 4,042,080 | 4,027,500 |
| Current portion | 40,849,322 | - |
| | <u>44,891,402</u> | <u>4,027,500</u> |

18. Cash and cash equivalents

| | 30 September 2023 (Unaudited) | 31 December 2022 (Audited) |
|---------------|--|---|
| Cash at banks | 62,085,933 | 55,299,660 |
| Cash in hand | 228,203 | 81,298 |
| | <u>62,314,136</u> | <u>55,380,958</u> |

19. Share capital

As at 30 September 2023, the Company's share capital consists of 15 million shares (31 December 2022: 15 million shares) with a nominal value of SR 10 each.

AL MAWARID MANPOWER COMPANY
(A Saudi Joint Stock Company)
Notes to the Condensed consolidated interim financial statements
For the nine-month period ended 30 September 2023
(All amounts in Saudi Riyal unless otherwise stated)

20. Trade payables and other current liabilities

| | 30 September 2023 (Unaudited) | 31 December 2022 (Audited) |
|---|-------------------------------------|----------------------------------|
| Accrued vacations and air tickets | 48,637,256 | 43,349,923 |
| Accrued salaries and bonuses | 38,836,846 | 43,309,023 |
| Contract liabilities | 29,582,981 | 26,956,130 |
| Trade payables | 5,003,843 | 10,975,265 |
| Value Added Tax (VAT) | 8,600,535 | 12,918,889 |
| Commissions payable | 1,221,009 | 1,390,719 |
| Remunerations and allowances for members and committees of the Board of Directors | 2,451,250 | 1,995,000 |
| Accrued GOSI | 2,260,106 | 1,816,691 |
| Other | 9,764,362 | 5,193,472 |
| | <u>146,358,188</u> | <u>147,905,112</u> |

Trade payables are unsecured and are normally paid within 30 days of recognition. The carrying value of trade payables and other current liabilities approximates their fair value, due to their short-term nature.

21. Contingent liabilities and Commitments

The employees' entitlements, which represent the obligation of employees' benefits and leave and travel tickets allowances, which are borne by some customers on behalf of the Group in accordance with the terms of the contracts entered into with them upon the expiry of the workers' contracts amounted to SR 44.36 million as at 30 September 2023 (31 December 2022: SR 46.2 million).

A commercial bank, under the facility agreement signed with it, has issued a guarantee letter on behalf of the Group in favor of the Ministry of Human Resources and Social Development, which is a guarantee letter to issue the Company's license in the amount of SR 10 million.

22. Risk management

The Group has exposure to the following risks arising from financial instruments:

- Market risk
- Credit risk;
- Liquidity risk

Risk management is carried out by the senior management under policies approved by the Board of Directors. Senior management identifies and evaluates, when appropriate, financial risks in close co-operation with the Group's operating units.

Financial assets and liabilities are offset and reported net in the condensed consolidated interim financial statements when the Group has a legally enforceable right to set off the recognized amounts and when the Group intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Market risk

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

Currency risk

Currency risk is the risk that a financial instrument will fluctuate due to changes in foreign exchange rates. The Group transactions are primarily denominated in Saudi Riyals. The management believes that the currency risk is immaterial, as the exchange rate of the USD is fixed against the SAR, therefore, the currency exchange risk is immaterial.

AL MAWARID MANPOWER COMPANY
(A Saudi Joint Stock Company)
Notes to the Condensed consolidated interim financial statements
For the nine-month period ended 30 September 2023
(All amounts in Saudi Riyal unless otherwise stated)

22. Risk management (continued)

Interest rate risk

Interest rate risk is the exposure to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. The Group manages interest rate risk by regularly monitoring the interest rate levels of its interest-bearing financial instruments. The Group is not exposed to significant interest sensitivity risk.

Credit risk

Credit risk is the risk that a party will not be able to meet its obligations to a financial instrument, causing financial losses to the other party. The Group does not believe that there are significant risks from balances due from related parties.

Financial assets that are subject to credit risk are limited to cash and cash equivalents, trade receivables and other current assets.

The cash and cash equivalents of the Group are deposited in public accounts with local banks with good credit ratings.

The Group only deals with high credit ratings financial institutions to limit the Group's exposure to credit risk. The Group has put in place an approval process so that credit limits are applied to customers.

The management also continuously monitors exposure to credit risks towards customers and creates a provision against doubtful balances which is based on customer profile and previous payment dates. Existing customers' receivables are monitored on a regular basis.

As at 30 September 2023 and 31 December 2022, the exposure to credit risk for trade receivables is as follows:

| | 30 September 2023 (Unaudited) | 31 December 2022 (Audited) |
|--|--|---|
| Trade receivables | 196,769,569 | 159,456,663 |
| Less: Allowance for expected credit losses | (29,306,059) | (28,810,042) |
| | 167,463,510 | 130,646,621 |

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 30 September 2023 and 31 December 2022.

| 30 September 2023 (Unaudited) | Weighted- average loss rate | Total carrying value | Loss allowance |
|--------------------------------------|--|---------------------------------|---------------------------|
| Current (not past due) | 1.97% | 120,077,255 | 2,365,522 |
| 1-30 days past due | 3.45% | 22,357,934 | 771,349 |
| 31-60 days past due | 5.01% | 7,095,602 | 355,490 |
| 61-90 days past due | 6.82% | 4,701,121 | 320,616 |
| 91-180 days past due | 13.62% | 6,427,472 | 875,422 |
| 181-360 days past due | 30.62% | 5,380,086 | 1,647,382 |
| More than 360 days past due | 61.76% | 30,730,099 | 18,978,909 |
| Specific loss allowance | - | - | 3,991,369 |
| | | 196,769,569 | 29,306,059 |

AL MAWARID MANPOWER COMPANY
(A Saudi Joint Stock Company)
Notes to the Condensed consolidated interim financial statements
For the nine-month period ended 30 September 2023
(All amounts in Saudi Riyal unless otherwise stated)

22. Risk management (continued)

Credit risk (continued)

| 31 December 2022 (Audited) | Weighted- average loss rate | Total carrying value | Loss allowance |
|-----------------------------|-----------------------------------|-------------------------|-------------------|
| Current (not past due) | 1.97% | 101,241,870 | 1,994,465 |
| 1-30 days past due | 3.45% | 7,796,889 | 268,993 |
| 31-60 days past due | 5.01% | 3,351,839 | 167,927 |
| 61-90 days past due | 6.82% | 1,533,916 | 104,613 |
| 91-180 days past due | 13.62% | 5,390,437 | 734,178 |
| 181-360 days past due | 30.62% | 4,260,843 | 1,304,670 |
| More than 360 days past due | 61.76% | 35,880,869 | 22,160,025 |
| Specific loss allowance | - | - | 2,075,171 |
| | | 159,456,663 | 28,810,042 |

The total maximum exposure to credit risk in the Group as at the reporting date is as follows:

| | 30 September 2023 (Unaudited) | 31 December 2022 (Audited) |
|--------------------------------------|-------------------------------------|----------------------------------|
| Financial investments at FVTPL | 44,891,402 | 4,027,500 |
| Cash and cash equivalents | 62,314,136 | 55,380,958 |
| Due from related parties | 57,589,128 | 79,654,109 |
| Trade receivables | 167,463,510 | 130,646,621 |
| Prepayments and other current assets | 114,769,724 | 146,004,418 |
| | 447,027,900 | 415,713,606 |

Commission rate risk

It is the exposure to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows.

The Group's commission rate risk arises principally from loans and investments at fair value through profit or loss which are at floating commission rates and are subject to re-pricing on a regular basis. The management monitors these changes in commission rates.

The Group periodically analyzes the commission rate risk, taking into account any rescheduling of loans. It also calculates the financial impact on profits and losses by increasing/decreasing the commission rate by a certain percentage. This analysis is performed on liabilities that bear commission.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments.

Liquidity risk may result from the inability to sell a financial asset quickly and for an amount close to its fair value.

Liquidity risk is managed by monitoring it periodically to ensure the availability of sufficient funds through available banking facilities to meet any future liabilities.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its obligations as and when they fall due under normal and abnormal conditions without incurring unacceptable losses or risking damage to the Group's reputation.

AL MAWARID MANPOWER COMPANY
(A Saudi Joint Stock Company)
Notes to the Condensed consolidated interim financial statements
For the nine-month period ended 30 September 2023
(All amounts in Saudi Riyal unless otherwise stated)

22. Risk management (continued)

Liquidity risk (continued)

For this purpose, the Group has maintained credit limits with various commercial banks in order to meet its liquidity requirements. As at 30 September 2023, the Group has an unused bank financing facility of SR 26 million (31 December 2022: SR 26 million) to manage short and long-term liquidity requirements.

The following are the contractual maturities of the remaining financial liabilities as at 30 September 2023 and 31 December 2022. These amounts are total and undiscounted and include contractual payments, excluding the effect of set-off agreements:

30 September 2023 (Unaudited)

| Financial Liabilities | Carrying amount | Contractual cash flows | | | Total |
|--|--------------------|------------------------|-----------------------------|------------------------------|--------------------|
| | | Less than 1 year | More than 1 year to 3 years | More than 3 years to 5 years | |
| Retained deposits | 7,229,429 | 7,229,429 | - | - | 7,229,429 |
| Trade payables and other current liabilities | 146,358,188 | 146,358,188 | - | - | 146,358,188 |
| Due to related parties | 405,777 | 405,777 | - | - | 405,777 |
| Lease liabilities | 37,637,622 | 13,173,167 | 24,464,455 | - | 37,637,622 |
| Recruitment agents' guarantees | 1,213,649 | - | 1,213,649 | - | 1,213,649 |
| | <u>192,844,665</u> | <u>167,166,561</u> | <u>25,678,104</u> | <u>-</u> | <u>192,844,665</u> |

31 December 2022 (Audited)

| Financial Liabilities | Carrying amount | Contractual cash flows | | | Total |
|--|--------------------|------------------------|-----------------------------|------------------------------|--------------------|
| | | Less than 1 year | More than 1 year to 3 years | More than 3 years to 5 years | |
| Retained deposits | 7,014,634 | 7,014,634 | - | - | 7,014,634 |
| Trade payables and other current liabilities | 147,905,112 | 147,905,112 | - | - | 147,905,112 |
| Due to related parties | 40,180 | 40,180 | - | - | 40,180 |
| Lease liabilities | 20,828,828 | 10,670,935 | 10,157,893 | - | 20,828,828 |
| Recruitment agents' guarantees | 1,178,329 | - | 1,178,329 | - | 1,178,329 |
| | <u>176,967,083</u> | <u>165,630,861</u> | <u>11,336,222</u> | <u>-</u> | <u>176,967,083</u> |

Fair value measurement of financial instruments

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a measurement date.

As the accompanying condensed consolidated interim financial statements have been prepared under the historical cost method, difference may arise between the book values and the fair value estimates.

The following table presents the Group's financial instruments measured at fair value at 30 September 2023 and 31 December 2022:

| | Level 1 SR | Level 2 SR | Level 3 SR | Total SR |
|--------------------------------------|-------------------|---------------|---------------|-------------------|
| 30 September 2023 (Unaudited) | | | | |
| Financial investments at FVTPL | <u>44,891,402</u> | <u>-</u> | <u>-</u> | <u>44,891,402</u> |
| 31 December 2022 (Audited) | | | | |
| Financial investments at FVTPL | <u>4,027,500</u> | <u>-</u> | <u>-</u> | <u>4,027,500</u> |

AL MAWARID MANPOWER COMPANY
(A Saudi Joint Stock Company)
Notes to the Condensed consolidated interim financial statements
For the nine-month period ended 30 September 2023
(All amounts in Saudi Riyal unless otherwise stated)

22. Risk management (continued)

Financial assets and liabilities which are not measured at fair value

Management believes that the fair value of the Group's financial assets and liabilities are not materially different from their carrying values.

| Financial assets | 30 September 2023 (Unaudited) | 31 December 2022 (Audited) |
|---|--|---|
| Financial assets at amortised cost: | | |
| Trade receivables | 196,769,569 | 159,456,663 |
| Cash and cash equivalents | 62,314,136 | 55,380,958 |
| Total financial assets at amortized cost | 259,083,705 | 214,837,621 |

| Financial Liabilities | 30 September 2023 (Unaudited) | 31 December 2022 (Audited) |
|--|--|---|
| Financial liabilities at amortized cost: | | |
| Retained deposits | 7,229,429 | 7,014,634 |
| Recruitment agents guarantees | 1,213,649 | 1,178,329 |
| Trade payables and other current liabilities | 146,358,188 | 147,905,112 |
| Lease liabilities | 37,637,622 | 20,828,828 |
| Total financial liabilities at amortized cost | 192,438,888 | 176,926,903 |
| Current portion of financial liabilities | 166,760,784 | 165,590,681 |
| Non-current portion of financial liabilities | 25,678,104 | 11,336,222 |
| Total Financial Liability | 192,438,888 | 176,926,903 |

Capital management risk

When managing capital, the Group aims to ensure the Group's ability to continue as a going concern in order to be able to continue providing returns to shareholders and maintain a strong core capital to support the sustainable development of its business.

The Group manages its capital structure by monitoring returns on net assets and makes adjustments to them in light of changes that arise from economic conditions.

For the purpose of maintaining or adjusting the capital structure, the Group may adjust the amount of dividends paid to shareholders or may issue new shares.

| | 30 September 2023 (Unaudited) | 31 December 2022 (Audited) |
|--|--|---|
| Total liabilities | 229,240,567 | 211,032,886 |
| Less: cash and cash equivalents | (62,314,136) | (55,380,958) |
| Adjusted net debt | 166,926,431 | 155,651,928 |
| Total equity | 322,376,578 | 293,065,702 |
| Adjusted net debt ratio from equity | 0.52 | 0.53 |

AL MAWARID MANPOWER COMPANY
(A Saudi Joint Stock Company)
Notes to the Condensed consolidated interim financial statements
For the nine-month period ended 30 September 2023
(All amounts in Saudi Riyal unless otherwise stated)

23. Significant events

• **Offering Group's shares**

The General Assembly, in its meeting held on 30 May 2022, agreed to offer 30% of the Group's shares in an initial public offering by submitting a request for registration and offering of securities with the Capital Market Authority and a request for listing with the Saudi Stock Exchange Company (Tadawul).

On 5 July 2022, the Group's prospectus was uploaded to CMA and Tadawul portals.

On 26 December 2022, the Board of the Capital Market Authority decided to approve the Group's request to register the Group's shares and offer 4,5 million shares for public subscription in the principal market, representing 30% of the total shares of the Group. On 19 June 2023, the Group's shares started trading on Tadawul as a Joint Stock Company

• **Dividends**

The General Assembly, in its meeting held on 2 April 2023, approved to pay cash dividends to the shareholders for the year ended 31 December 2022 in the amount of SR 15 million, representing SR 1 per share due to the shareholders registered with the group on the date of the assembly, and it was paid in full in April 2023.

The General Assembly also approved, in its meeting held on 13 September 2023, to pay cash dividends to the shareholders for the first half of the year 2023 in the amount of SR 22.5 million, representing SR 1.5 per share due to the shareholders registered with the depository center at the end of the second trading day of the General Assembly meeting.

- Other than the above, the Group's management believes that there have been no significant events or material subsequent events.

24. Approval of the condensed consolidated interim financial statements

These condensed consolidated interim financial statements have been approved for issuance by the Board of Directors on 6 November 2023 (corresponding to 22 Rabi' II 1445H).