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Al-Baha Investment And Development Company
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
For The Year Ended December 31, 2022
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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(A Saudi Joint Stock Company)

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INDEPENDENT AUDITOR'S REPORT

TO: THE SHAREHOLDERS OF
AL-BAHA INVESTMENT AND DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of **Al-Baha Investment and Development Company (the "Company") and its subsidiaries (collectively the "Group")**, which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (SOCPA).

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note (17) to the accompanying consolidated financial statements, which describes the legal case on exchanging assets with Al-Sata'ah Modern Contracting Company. As detailed in the note, the Group created an allowance to compensate for losses resulting from the asset exchange contract with Al-Sata'ah Modern Company amounting to SAR 81,003,717 (December 31, 2021: SAR 84,003,717), since the previously issued ruling instructing Al-Baha Investment and Development Company to implement the terms of the contract with Al-Sata'ah Modern Company was upheld , and accordingly the group paid an amount of SAR 3,000,000 during the year 2022. Our opinion is not modified in respect of 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. We have determined matters described below to be Key audit matters to be communicated in our report.

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INDEPENDENT AUDITOR'S REPORT *(Continued)*
AL-BAHA INVESTMENT AND DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)
Key Audit Matters ***(Continued)***

<table>
<tr><td colspan="2">Carrying value of goodwill</td></tr>
<tr><td>Key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>As at 31 December 2022, the Group had goodwill of SAR 22,159,064 which arose on past business combination (2021: SAR 23,110,413).

In accordance with IAS 36 "Impairment of assets" an entity is required to test goodwill acquired in a business combination for impairment at least annually irrespective of whether there is any indication of impairment.

Goodwill is monitored by management at the level of cash-generating units ("CGUs"). An impairment exercise was carried out in respect of goodwill allocated to the CGU by determining a recoverable amount based on value-in-use derived from a discounted cash flow model. And impairment loss was resulted from this test for the year ended 31 December 2022 amounted by SR 951,349 (31 December 2021: Nill).

We considered impairment testing of goodwill as a key audit matter since the assessment of the recoverable amount of goodwill under the value-in-use basis is complex and requires considerable judgment on the part of management. The critical judgmental elements of management's assessment were:
• Assumptions concerning the expected economic conditions, especially growth in the markets in which the Group primarily operates;
• Assumptions of the impact of the actions of the Group's main competitors on expected revenue and gross margin assumptions; and
• Discount rate used in the value-in-use cash flow model.</td><td>We assessed management's impairment assessment of goodwill by performing the following procedures:

• Assessed the methodology used by management to determine a recoverable amount based on the value-in-use and compared it to that required by IAS 36. We also tested the arithmetical accuracy of the model used;
• Tested the accuracy and relevance of the input data by reference to supporting evidence, such as approved budgets and considered the reasonableness of these budgets by comparison to the Group's historical results and performance against budgets;
• Engaged our valuation experts to assist in the review of the methodology of value-in-use calculations and use of certain assumptions including discount rates and long-term growth rates; and
• Performed sensitivity analyses over key assumptions, principally sales growth rate, terminal value multiple and discount rates, in order to assess the potential impact of a range of possible outcomes.

We also reviewed the adequacy of the Group's disclosure included in the consolidated financial statements.</td></tr>
<tr><td colspan="2">Refer to note No. (4) for the accounting policy related to goodwill and note No. (12) for related disclosures.</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT *(Continued)*
AL-BAHA INVESTMENT AND DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

Key Audit Matters *(Continued)*

Valuation of Investment Properties	
Key audit matter	**How the matter was addressed in our audit**
As at 31 December 2022, the Group's investment in properties book value was SR 222,673,156 (2021: SR 129,620,000). Investment in properties are stated at cost after accumulated depreciation and impairment in value (if any). The fair value of investment properties is also disclosed in the notes to the consolidated financial statements. The Group uses valuation reports from independent valuers appointed by management to estimate the fair value of the properties as at 31 December 2022. This was considered a key audit matter as estimating fair value for the purposes of disclosures in the consolidated financial statements requires significant assumptions and judgments that may lead to material misstatements in the consolidated financial statements disclosures.	We performed the following procedures in relation to valuation of inventory: - Understanding the valuation methods, interviewing the independent valuators to understand the assumptions and methodologies used in valuing investment properties and the market evidence used by the independent evaluators to support their assumptions. We also gained an understanding of the company's management involvement in the evaluation processes in order to assess whether appropriate oversight has taken place. - Evaluating valuators' certificates and licenses, assessing the extent of the valuers' independence from the group, their professional qualifications, specializations and experiences, and making sure that the valuers is accredited by the Saudi Authority for Accredited Valuers; - To seek the assistance of our specialist in the field of real estate valuation to review the evaluation of the assumptions used in the evaluation of investment properties. - Evaluate the inputs and match the observable inputs used in the valuations, such as income from lease contracts, occupancy rates, item details, and the length of the lease term by reference to the lease agreements for a sample of real estate We also assessed the adequacy of the Group's disclosures included in the consolidated financial statements.
Refer to note No. (4) for the accounting policy related to investment in properties and note (15) for related disclosures.	

INDEPENDENT AUDITOR'S REPORT *(Continued)*
AL-BAHA INVESTMENT AND DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs 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.

INDEPENDENT AUDITOR'S REPORT ***(Continued)***
AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT
(A Saudi Joint Stock Company)

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 year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Al Azem, Al Sudairy, Al Shaikh & Partners
for Professional Consulting

Abdullah M. Al Azem
License No. 335

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For Professional Consulting - M C Global R

9 Ramadan 1444H (March 31, 2023)
Riyadh, Kingdom of Saudi Arabia

Al-Baha Investment And Development Company
(A Saudi Joint Stock Company)
Consolidated Statement of Financial Position
For The Year Ended December 31, 2022

	Note	**December 31, 2022 SR**	December 31, 2021 SR
ASSETS			
Current assets			
Cash and cash equivalents	6	**50,950,741**	981,981
Accounts receivable	7	**18,014,005**	16,962,902
Prepayments and debit balances	9	**4,727,231**	1,508,218
TOTAL CURRENT ASSETS		**73,691,977**	19,453,101
Non-current assets			
Long term investments	10	**17,136,823**	17,136,823
Payments for purchasing of investment properties	11	**9,000,000**	9,000,000
Goodwill	12	**22,159,064**	23,110,413
Property, plant and equipment	13	**39,527,589**	39,620,062
Intangible assets	14	**12,463**	24,183
Investment Properties	15	**222,673,156**	129,620,000
Right of use assets	16A	**12,076,088**	49,338,057
TOTAL NON-CURRENT ASSETS		**322,585,183**	267,849,538
TOTAL ASSETS		**396,277,160**	287,302,639
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payables	19	**937,461**	1,043,434
Securities auction shares under settlement	20	**11,283,284**	10,672,455
Accrued expenses and other credit balances	23	**4,365,082**	4,321,810
Deferred revenues		**2,860,703**	1,749,280
Current portion of lease liability	16B	**2,598,039**	8,474,409
Potential claims provision	17	**81,003,717**	84,003,717
Short term loans	24	**50,000,000**	-
Zakat provision	18B	**2,832,558**	16,271,195
TOTAL CURRENT LIABILITIES		**155,880,844**	126,536,300
Non-current liabilities			
Non-current portion of lease liability	16B	**10,797,319**	42,487,728
Employees' benefits obligations	22	**262,858**	197,602
Due to related party	21	**-**	650,000
TOTAL NON-CURRENT LIABILITIES		**11,060,177**	43,335,330
TOTAL LIABILITIES		**166,941,021**	169,871,630
Equity			
Share capital	25	**297,000,000**	177,000,000
Accumulated losses		**(85,619,149)**	(77,644,049)
Shareholders' Equity		**211,380,851**	99,355,951
Non–Controlling interests	26	**17,955,288**	18,075,058
TOTAL EQUITY		**229,336,139**	117,431,009
TOTAL LIABILITIES AND EQUITY		**396,277,160**	287,302,639

The accompanying notes form (1) to (36) an integral part of these consolidated financial statements

Al-Baha Investment And Development Company
(A Saudi Joint Stock Company)
Consolidated Statement of Profit Or Loss And Other Comprehensive Income
For The Year Ended December 31, 2022

	Note	December 31, 2022 SR	December 31, 2021 SR
Revenues	27	**11,516,628**	11,405,811
Cost of revenues		**(5,696,383)**	(5,031,718)
Gross profit		**5,820,245**	6,374,093
Administrative and general expenses	28	**(3,214,087)**	(3,812,336)
IPO fees	29	**(3,995,600)**	-
Impairment losses of goodwill	12	**(951,349)**	-
Impairment losses in the value of investment properties	15	**(3,426,158)**	(7,046,667)
Expected credit losses	7	**166,903**	(2,983,463)
Other income	31	**2,978,174**	1,205,232
Loss from operations		**(2,621,872)**	(6,263,141)
Financing cost	30	**(2,751,616)**	(1,611,856)
Net loss before zakat		**(5,373,488)**	(7,874,997)
Zakat	18B	**(2,721,382)**	(1,242,513)
Net loss for the year		**(8,094,870)**	(9,117,510)
Other comprehensive income items:			
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		**(8,094,870)**	(9,117,510)
Net loss for the year attributable to:			
Company's Shareholders		**(7,975,100)**	(8,343,826)
Non–controlling interests	26	**(119,770)**	(773,684)
		(8,094,870)	(9,117,510)
Loss per share	32	**(0.29)**	(0.47)

The accompanying notes form (1) to (36) an integral part of these consolidated financial statements

Al-Baha Investment And Development Company
(A Saudi Joint Stock Company)
Consolidated Statement of Changes in Equity
For The Year Ended December 31, 2022

	Shareholders' Equity			Non–controlling interests	Total equity
	Share capital SR	Accumulated losses SR	Total SR	SR	SR
Balance at January 1, 2021	177,000,000	(69,300,223)	107,699,777	18,848,742	126,548,519
Net loss for the year	-	(8,343,826)	(8,343,826)	(773,684)	(9,117,510)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the year	-	(8,343,826)	(8,343,826)	(773,684)	(9,117,510)
Balance at December 31, 2021	177,000,000	(77,644,049)	99,355,951	18,075,058	117,431,009
Balance at January 1, 2022	**177,000,000**	**(77,644,049)**	**99,355,951**	**18,075,058**	**117,431,009**
Net loss for the year	-	**(7,975,100)**	**(7,975,100)**	**(119,770)**	**(8,094,870)**
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the year	-	**(7,975,100)**	**(7,975,100)**	**(119,770)**	**(8,094,870)**
Share Capital increase	**120,000,000**	-	**120,000,000**	-	**120,000,000**
Balance at December 31, 2022	**297,000,000**	**(85,619,149)**	**211,380,851**	**17,955,288**	**229,336,139**

The accompanying notes form (1) to (36) an integral part of these consolidated financial statements

Al-Baha Investment And Development Company
(A Saudi Joint Stock Company)
Consolidated Statement of Cash Flows
For The Year Ended December 31, 2022

	December 31, 2022 SR	December 31, 2021 SR
Cash Flows From Operating Activities:		
Net Loss before zakat	(5,373,488)	(7,874,997)
Adjustments for:		
Depreciation of property, plant and equipment	64,448	36,453
Depreciation of investment properties	1,066,150	645,074
Amortization of intangible assets	11,720	11,720
Depreciation of right of use assets	3,939,877	4,044,832
Expected credit losses provision	(166,903)	2,983,463
Finance cost	2,751,616	1,611,856
Employees' benefit obligations during the year	65,256	44,873
Gain from lease disposal	(1,437,801)	-
Settlement of lease liability against other income	(365,594)	(933,334)
Zakat Adjustments	-	(271,898)
Goodwill impairment losses	951,349	-
Investment properties impairment losses	3,426,158	7,046,667
	4,932,788	7,344,709
Changes in working capital:		
Accounts receivable	(884,200)	923,160
Prepayments and other debit balances	(3,219,013)	(1,056,139)
Trade payables	(105,973)	(102,821)
Accrued expenses and crdit balances	(671,728)	(23,378)
Securities auction shares under settlement	610,829	(58,462)
Deferred revenue	1,111,423	(1,030,904)
Cash from Operation	1,774,126	5,996,165
Payment of fees from financing costs for the year	(257,833)	-
Payment from provision for potential claims	(3,000,000)	-
Payment from employees' benefit during the year	-	(12,720)
Zakat paid	(16,160,019)	(457,342)
Net cash (used in) / provided by operating activities	(17,643,726)	5,526,103
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions of investment properties	(97,422,740)	(145,305)
Purchase of property, plant and equipment	(94,699)	(316,803)
Net cash used in investing activities	(97,517,439)	(462,108)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Share capital increase	120,000,000	-
Short term loans	50,000,000	-
Due to related party	(650,000)	(283,863)
Payment from lease liability	(4,220,075)	(5,522,721)
Net cash provided by / (used in) operating activities	165,129,925	(5,806,584)
Net change in cash and cash equivalents	49,968,760	(742,589)
Cash and cash equivalents at the beginning of the year	981,981	1,724,570
Cash and cash equivalents at the end of the year	50,950,741	981,981
Additional information about Non-Cash items:		
Transfer from property, plant and equipment to investment properties	122,724	15,181,409
Settlement of right of use assets against lease liability	(33,322,092)	(18,230,679)
Settlement of lease liability against other income	(365,594)	(933,334)
Bad debts during the year	(415,978)	-

The accompanying notes form (1) to (36) an integral part of these consolidated financial statements

1. ACTIVITIES

Al-Baha Investment And Development Company ("the Company") is a Saudi Joint Stock Company registered in Kingdom of Saudi Arabia under commercial registration number 5800005960 dated 19 Rajab 1413H (corresponding to 12 January 1993) and according to Ministerial Resolution No 600 dated 5 Jumada Al-Akhar 1413H (corresponding to November 30, 1992)

The company's head office address: Al-Baha City - King Fahd Road - P.O. Box: 448, Postal Code: 2288, Baljurashi – Kingdom of Saudi Arabia .

The Company'activities and its subsidiaries (collectively referred to as the "group") are engaged in establishing , managing , operating and maintaining the central markets, commercial and residential complexes, hotels, furnished apartments, restaurants, cafes, buffets, bakeries, sweets, cooked and uncooked subsistence services, fuel stations, wholesale and retail trade of foodstuffs, wholesale and retail trade of building materials and iron, general contracting of buildings, electrical, electronic and mechanical works, management, maintenance and development of real estate, maintenance contracting, operation, cleaning and purchase And renting lands for constructing buildings on them and investing them by sale or rent for the benefit of the company And the establishment of various industrial projects and the ownership and reclamation of agricultural lands to be used in the establishment of agricultural and livestock production projects, the establishment of recreational and tourism facilities and projects, their investment, management, operation and maintenance, wholesale and retail trade of what falls within the scope of the company's industrial, agricultural and tourism business, and the establishment of cold stores, repair and maintenance workshops related to that, and commercial agencies. The group may also, according to the aforementioned, carry out any necessary or complementary actions to achieve these purposes, and the group shall carry out its activities in accordance with the concerned regulations and after obtaining the necessary licenses from the competent authorities, if any.

The company has the following subsidiaries

		Ownership %		**Country of**
Subsidiary Companies	**Legal status**	**2022**	2021	**Incorporation**
Elegant Centers Company	Limited liability	**86,96%**	86,96%	Saudi Arabia
Ishraqa Regional Real Estate Development & Investment Company	Limited liability	**86,96%**	86,96%	Saudi Arabia

The financial statements of these subsidiaries have been consolidated in these consolidated financial statements.

Going concern

The group's current liabilities exceeded its current assets as of December 31, 2022 by 82,188,867 Saudi riyals, and accumulated losses amounted by 85,619,149 Saudi riyals, which constitute 29% of the share capital, and negative cash flows amounted by 17,643,726 which is considered a deficit in working capital and the company's ability to fulfill its obligations in the normal course of business. These financial statements have been prepared on a going concern basis. This is based on the future management plan, whereby the Group will be able to manage liquidity to ensure sufficient level of its obligations when due, in normal and extraordinary circumstances.

2. BASIS OF PREPARATION

2.1 Statement of commitment

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants.

2.2 consolidated financial statements preparation

The consolidated financial statements have been prepared on the historical cost basis except defined employee benefit obligations that have been valued at present value of ttfuture liabilities using the projected unit credit method.

2.3 Functional and presentation currency

The consolidated financial statements are presented in Saudi Riyals, which is the functional and presentation currency of the Group, and all values are rounded to the nearest Saudi Riyal, except where otherwise indicated.

3. Basis for consolidating financial statements

These consolidated financial statements comprising the consolidated Statement of financial position, consolidated statement of profit or loss and comprehensive income, consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and notes to the Consolidated Financial Statements of the Group include assets, liabilities and the results of the operations of the Company and its subsidiaries, as set out in note (1). The Company and its subsidiaries are collectively referred to as the "Group". Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control commences until the date on which control ceases. The Group accounts for the business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identified net assets acquired and fair value of pre-existing equity interest in the subsidiary. The excess of the cost of acquisition and amount of Non – controlling interest ("NCI") over the fair value of the identifiable net assets acquired is recorded as goodwill in the consolidated Statement of Financial Position. NCI is measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. If the business combination is achieved in stages, the acquisition date carrying value of the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in the consolidated statement of profit or loss. intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Accounting policies of subsidiaries are aligned, where necessary, to ensure consistency with the policies adopted by the Group. The Company and its subsidiaries have the same reporting periods.

4. SIGNIFICANT ACCOUNTING POLICIES

4-1 New Standards, Amendment to Standards and Interpretations
The Group has applied the following standards from 1 January 2022.

4-1-1 Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions
As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the International Accounting Standards Board ("IASB") published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022.

Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

4-1-2 Amendments to IFRS 3, IAS 16, IAS 37
- IFRS 3 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- IAS 16 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the Company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.
- IAS 37 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

4-1-3 Improvements to the International Financial Reporting Standards for the years 2018 to 2020.
The annual improvements include modifications to three criteria:
- International Financial Reporting Standard No. 1 "Applying International Financial Reporting Standards for the First Time".
- International Financial Reporting Standard No. 9 "Financial Instruments".
- International Financial Reporting Standard No. 16 "Leases".

The application of the above new standards, amendment to standards and interpretations does not have any material impact on these consolidated financial statements during the period.

4-2 Standards issued but not yet effective
Following are the new standards and amendments to standards which are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted; however, the Company has not early adopted them in preparing these financial statements.

4-2-1 Amendments to IAS 1, 'Presentation of financial statements' on classification of liabilities (Effective date – January 1, 2023)
These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

4-2-2 Amendments to IAS 1, Practice Statement 2 and IAS 8 (Effective date – January 1, 2023)
The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Standards issued but not yet effective (Continued)

4-2-3 Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction
These amendments require companies to recognize deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

3-2-4 Amendments to IAS 1 "Presentation of Financial Statements" – Classification of Liabilities as Current or Non-Current and Non-Current Liabilities with Financial Commitments (Effective date – January 1, 2024)
The amendments are summarized in that the right to defer settlement exit at the reporting date and have substance, in addition to clarifying the classification criteria for liabilities that have financial covenants along with new disclosures, in addition to the possibility of convertible debt may become current.

3-2-5 Amendments to IFRS 16 Leases - Lease Liabilities in Sale and Leaseback Transactions (Effective date – January 1, 2024)
The amendments are summarized in plugging the gap in the standard related to the measurement of right-of-use assets and lease liabilities when variable lease payments arise, in addition to some amendments related to the initial and subsequent recognition related to variable lease payments for sale and leaseback transactions.

4-3 Cash and cash equivalents
For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and deposits held with banks, all of which are available for use by the Group unless otherwise stated and have maturities of 90 days or less, which are subject to insignificant risk of changes in values.

4-4 Inventories
Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

4-5 Financial instruments
The Group recognizes a financial asset or a financial liability in its consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument.

At initial recognition, the Group recognizes a financial instrument at its fair value plus or minus, in the case of a financial instrument not at fair value through profit or loss.

Financial assets

IFRS 9 introduces new classification and measurement requirements for financial assets. IFRS 9 requires all financial assets to be classified and subsequently measured at either amortized cost or fair value. The classification depends on the business model for managing the financial asset and the contractual cash flow characteristics of financial asset, determined at the time of initial recognition.

Financial assets are classified into the following specified categories under IFRS 9:

- Debt instruments at amortized cost;
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition;
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition; and
- Financial assets at fair value through profit and loss (FVPL).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4-5 Financial instruments (Continued)

Financial assets classified as amortized cost

Debt instruments that meet the following conditions are subsequently measured at amortized cost less impairment loss (except for debt investments that are designated as at fair value through profit or loss on initial recognition):

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

If a financial asset does not meet both of these conditions, it is measured at fair value.

The Group makes an assessment of a business model at portfolio level as this best reflects the way the business is managed and information is provided to management. In making an assessment of whether an asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, the Group considers:

- Management's stated policies and objectives for the portfolio and the operation of those policies in practice;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How management evaluates the performance of the portfolio;
- Whether the management's strategy focus on earning contractual commission income;
- The degree of frequency of any expected asset sales;
- The reason for any asset sales; and
- Whether assets that are sold are held for an extended period of time relative to their contractual maturity or are sold shortly after acquisition or an extended time before maturity.

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

Income is recognized on an effective interest basis for debt instruments measured subsequently at amortized cost. Interest is recognized in the consolidated statement of profit or loss.

Debt instruments that are subsequently measured at amortized cost are subject to impairment.

Financial assets designated as FVOCI with recycling

Debt instruments that meet the following conditions are subsequently measured at FVOCI:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt financial instruments measured at FVOCI, commission income and impairment losses or reversals are recognized in consolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. All other changes in the carrying amount of these instruments are recognized in other comprehensive income and accumulated under the investment revaluation reserve. When these instruments are derecognized, the cumulative gains or losses previously recognized in consolidated statement of other comprehensive income are reclassified to the consolidated statement of profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4-5 Financial instruments (Continued)

Financial assets classified as FVPL

Investments in equity instruments are classified as at FVPL, unless the Group designates an investment that is not held for trading as at FVOCI on initial recognition.

Debt instruments that do not meet the amortized cost of FVOCI criteria are measured at FVPL. In addition, debt instruments that meet the amortized cost criteria but are designated as at FVPL to avoid accounting mismatch are measured at fair value through income statement. A debt instrument may be designated as at FVPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. Debt instruments are reclassified from amortized cost to FVPL when the business model is changed such that the amortized cost criteria are no longer met. Reclassification of debt instruments that are designated as at FVPL on initial recognition is not allowed.

Financial assets at FVPL are measured at fair value at the end of each reporting period, with any gains or losses arising on re-measurement recognized in consolidated statement of profit or loss.

Commission income on debt instruments as at FVPL is included in the consolidated statement of profit or loss.

Dividend income on investments in equity instruments at FVPL is recognized in the consolidated statement of profit or loss when the Group's right to receive the dividends is established.

Investment in equity instruments designated as FVOCI

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVOCI. Designation as at FVOCI is not permitted if the equity investment is held for trading.

A financial asset or financial liability is held for trading if:

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in consolidated statement of other comprehensive income and accumulated in other reserves. Gain and losses on such equity instruments are never reclassified to consolidated statement of profit or loss and no impairment is recognized in income statement. Investment in unquoted equity instruments which were previously accounted for at cost in accordance with IAS 39, are now measured at fair value. The cumulative gain or loss will not be reclassified to income statement on disposal of the investments.

Dividends on these investments are recognized in statement of income when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

Investment revaluation reserve includes the cumulative net change in fair value of equity investment measured at FVOCI. When such equity instruments are derecognized, the related cumulative amount in the fair value reserve is transferred to retained earnings.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4-5 Financial instruments (Continued)

Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses (ECL) on debt instruments that are measured at amortized cost or at FVOCI, lease receivables, trade receivables, as well as on loan commitments and financial guarantee contracts.

No impairment loss is recognized for investments in equity instruments. The amount of expected credit losses reflects changes in credit risk since initial recognition of the respective financial instrument.

The Group applies the simplified approach to calculate impairment on trade receivables and this always recognizes lifetime ECL on such exposures. ECL on these financial assets are estimated using a flow rare based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group applies the general approach to calculate impairment. Lifetime ECL is recognized when there has been a significant increase in credit risk since initial recognition and 12 month ECL is recognized the credit risk on the financial instrument has not increased significantly since initial recognition. The assessment of whether credit risk of the financial instrument has increased significantly since initial recognition is made through considering the change in risk of default occurring over the remaining life of the financial instrument.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date. Exposure at default for off balance sheet items is arrived at by applying a credit conversion factor to the undrawn portion of the exposure.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables, finance lease receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The Group recognizes an impairment gain or loss in the consolidated statement of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognized in consolidated statement of other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4-5 Financial instruments (Continued)

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset or substantially all the risk and rewards of ownership to another entity. If the Group neither transfer nor retains substantially all the risks and reward of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Financial liabilities

Financial liabilities carried at amortized cost have been classified and measured at amortized cost using the effective yield method.

For financial liabilities that are designated as at FVPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in consolidated statement of other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in consolidated statement of profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to consolidated statement of profit or loss.

The liability credit reserve includes the cumulative changes in the fair value of the financial liabilities designated as at fair value through profit or loss that are attributable to changes in the credit risk of these liabilities and which would not create or enlarge accounting mismatch in income statement. Amount presented in liability credit reserve are not subsequently transferred to consolidated statement of profit or loss. When such investments are derecognized, the related cumulative amount in the liability credit reserve

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

4-6 Goodwill

Goodwill arising from the acquisition of operations is recorded at cost as it originated on the date of acquisition of operations, less accumulated impairment losses, if any.
For the purposes of reviewing impairment of goodwill, goodwill is allocated to each of the cash-generating units (or group of cash-generating units) that are expected to benefit from the business combination.
The cash-generating unit to which the goodwill has been allocated is reviewed to determine the decline in its value on an annual basis or more when there is an indication of a decrease in the value of the unit. 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 to the book value of each asset in the unit. Any impairment loss on goodwill is recognized directly in the consolidated statement of profit or loss. The impairment loss for goodwill is not reversed in subsequent periods.
On disposal of the related cash-generating unit, the amount attributable to goodwill is included in determining the gain or loss arising from disposal.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4-7 Intangible assets

Intangible assets excluding goodwill are measured at Cost less accumulated amortization and accumulated impairment losses, if any.

Intangible assets are amortized on a constant straight-line basis over the economic life of 5 years.

Subsequent expenditures are capitalized only when it is probable that the future economic benefits associated with the expenditures will flow to the group and the expenditures can be measured reliably.

The residual values of intangible assets, their useful lives and indicators of impairment are reviewed at the end of each fiscal year and adjusted prospectively, if necessary.

4-8 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. When spare parts are expected to be used during more than one period, then they are accounted for as property, plant and equipment.

Historical cost includes expenditure that is directly attributable to the acquisition of the item. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Group and the cost can be measured reliably.

Depreciation is recognized so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes accounted for on a prospective basis.

The Group applies the following annual rates of depreciation to its property, plant and equipment:

Machines and equipment	5%		
Vehicles	25%	Furnitures & Fixtures	10% - 30%
Office equipment and devices	15% - 30%	Tools	15%

Land and capital work in progress is not depreciated.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognized in consolidated statement of profit or loss.

4-9 Investment properties

Investment properties are non-current assets kept to generate rental income and / or to increase capital, but not for sale in the ordinary course of business, or use in the production or supply of goods or services, or for administrative purposes. Investment properties are measured according to the cost model upon initial recognition, and are subsequently measured at cost less accumulated depreciation and impairment losses, if any.

Investment properties are derecognised when they are sold or when they are occupied by the owner or if they are not kept for an increase in value.

Any gain or loss resulting from the disposal of investment properties (the difference between the net proceeds from disposal and the net book value of the property) is recognized in profit or loss. When investment properties that were previously classified as property and equipment are sold, any relevant amount included in the asset revaluation reserve is transferred to retained earnings.

Expenditure incurred to replace separately accounted for components of investment property items is capitalized, and the carrying amount of the replaced component is written off. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the related investment property. All other expenditure is recognized in the statement of profit or loss and other comprehensive income when incurred.

The group follows the straight-line method in building and construction depreciation according to the 3% annual rate.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4-10 Right-of-Use Assets and Lease Liabilities

The group has recognised operating assets and liabilities for its operating leases. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Consolidated Statement of Profit or Loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis.

i. Right-of-use assets are measured at cost comprising the following:

-the amount of the initial measurement of lease liability ;

-any lease payments made at or before the commencement date less any lease incentives received ;

-any initial direct costs; and - restoration costs.

Right-of-use assets are subsequently measured at cost less accumulated depreciation

ii. Lease liabilities include the net present value of the following lease payments:

-fixed payments (including in-substance fixed payments), less any lease incentives receivable ;

-variable lease payments that are based on an index or a rate ;

-amounts expected to be payable by the lessee under residual value guarantees ;

-the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and

-payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions .

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the Consolidated Statement of Profit or Loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items relating to office equipment .

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. In determining the lease term, the management generally considers certain factors including historical lease durations and the costs and business disruption required to replace the leased asset .

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4-11 Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. Goodwill and assets that have indefinite useful live, for example land, are tested annually for impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in consolidated statement of profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

4-12 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 the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

4-13 Zakat

Zakat is calculated and provided for by the Group in accordance with Zakat,Tax and Customs Authority (GAZT) regulations and is charged to consolidated statement of profit or loss. The adjustments resulting from the final Zakat assessment are processed during the financial year in which the final Zakat assessment is issued.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4-14 Employees' benefits obligations

The end-of-service benefits provision is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Remeasurements, comprising actuarial gains and losses, are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in consolidated statement of other comprehensive income in the period in which they occur. Remeasurements recognized in consolidated statement of other comprehensive income are reflected immediately in retained earnings and will not be reclassified to consolidated statement of profit or loss in subsequent periods. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs. Interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- interest expense; and
- remeasurements

The Group presents the first two components of defined benefit costs in consolidated statement of profit or loss in relevant line items. Remeasurements are presented as part of consolidated statement of other comprehensive income.

4-15 STATUTORY RESERVE

In accordance with the company base system and Saudi Arabian Regulations for Companies, the company should transfer 10% of its net income each year until it has built a reserve equal to 30% of the share capital. The reserve is not available for distribution among shareholders.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4-16 Revenue Recognition

Revenue is measured based on the consideration specified in a contract with customer and excludes amount collected on behalf of third parties. The Group recognizes revenue when it transfers control over a product or service to a customer. The principles in IFRS 15 are applied using the following five steps:

Step 1: The Group accounts for a contract with a customer when:

- The contract has been approved and the parties are committed;
- Each party's rights are identified;
- Payment terms are defined;
- The contract has commercial substance; and
- Collection is probable.

Step 2: The Group identify all promised goods or services in a contract and determines whether to account for each promised good or service as a separate performance obligation. A good or service is distinct and is separated from other obligations in the contract if both:

- the customer can benefit from the good or service separately or together with other resources that are readily available to the customer; and
- the good or service is separately identifiable from the other goods or services in the contract.

Step 3: The Group determine the transaction price, which is the amount of consideration it expects to be entitled to in exchange for transferring promised goods or services to a customer.

Step 4: The transaction price in an arrangement is allocated to each separate performance obligation based on the relative standalone selling price of the good or service being provided to the customer.

Step 5: Revenue is recognized when control of the goods or services is transferred to the customer. The Group transfers a good or service when the customer obtains control of that good or service. A customer obtains control of a good or service if it has the ability to direct the use of and receive the benefit from the good or service.

The following is a description, accounting policies and significant judgements of the principal activities from which the Group generates revenue.

Lease Revenue

The Group's subsidiaries are the lessor in operating leases. Lease revenue from operating lease contracts for investment properties is recognized on a straight-line basis over the lease periods, and is included in revenue in the consolidated statement of profit or loss due to its operational nature, with the exception of conditional rental income that is recognized upon its inception. Initial direct costs incurred in negotiating and entering into an operating lease are recognized as an expense over the term of the lease on the same basis as the rental income.

Lessee lease incentives are recognized as a decrease in rental income on a straight-line basis over the term of the lease. The lease term is the irrevocable lease period in addition to any other period in which the lessee has the option to continue in the lease agreement, and for which, upon the inception of the contract, the management was reasonably confident that the lessee would exercise that option.

Amounts received from lessees for the termination of lease contracts or compensation for sabotage are recognized in the consolidated statement of profit or loss when the right to receive it is established.

Goods Sale

Revenue is recognized when control of those products or services is transferred, and this is when the products or services are delivered to the customer. Delivery occurs when products are shipped to the designated location, and the risks of obsolescence and loss have been passed on to the customer.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4-17 Foreign Currency Translation

Transactions in foreign currencies are initially recorded by the Group at their market exchange rate against the functional currency at the date the transaction first qualifies for recognition.
Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.
Differences arising on settlement or translation of monetary items are recognized in consolidated statement of profit or loss.

4-18 General And Administrative Expenses

Administrative and general expenses include direct and indirect costs that are not specifically related to cost of revenue. Joint expenses are apportioned between administrative and general expenses and cost of revenue, when needed, on a consistent basis.

4-19 Segment Reports

The operating segment is an element of the group that is related to its activities through which it earns revenue and incurs expenses including revenues and expenses related to transactions with any other elements in the group.
The CEO monitors the operating results of his business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated on a profit or loss basis and is measured consistently with the profit or loss in the consolidated financial statements.
The group's board of directors is the maker of operational decisions, as it assesses the performance and consolidated financial position of the group and takes strategic decisions .

5- USE OF JUDGEMENTS AND ESTIMATES UNCERTAINTY

For the purpose of preparing these consolidated financial statements, management has made judgements and estimates that affect the application of the group's accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
Estimates and underlying assumption are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

6- CASH AND CASH EQUIVALENTS

	December 31, 2022 SR	December 31, 2021 SR
Cash at Banks	**50,950,741**	981,981
	50,950,741	981,981

7-ACCOUNTS RECEIVABLES

	December 31, 2022 SR	December 31, 2021 SR
Sale of property and equipment receivables (A)	**8,542,906**	8,542,906
Miscellaneous receivables (B)	**7,000,000**	7,306,993
Lease customers (C)	**7,793,866**	7,321,644
customers	-	1,084,984
	23,336,772	24,256,527
Provision for expected credit losses (D)	**(5,322,767)**	(7,293,625)
	18,014,005	16,962,902

7-ACCOUNTS RECEIVABLES (CONTINUED)

(A) Accounts receivable from the sale of property and equipment represent assets that have been exchanged in the process of exchanging assets with Al-Sata'ah Modern General Contracting company, and the Group has established a potential claims provision that includes this amount (Note 17).

(B) Miscellaneous receivables include the amount of SAR 7 million related to an asset exchange with Al Sata'ah Modern General Contracting company, and the Group has established a potential claims provision that includes this amount (Note 17).

(C) Lease Customers represent amounts due from lessees.

Ages of leasing customers' debts:

	Total	1-90 Days	91-180 Days	181-270 Days	271-365 Days	More than 365 Days
2022	**7,793,866**	**1,467,988**	**1,738,810**	**389,757**	**48,781**	**4,148,530**
2021	7,321,644	862,352	1,711,295	506,024	611,975	3,629,998

(D) The movement in the Provision for expected credit losses is summarized as follows:

	December 31, 2022 **SR**	December 31, 2021 SR
Balance at the beginning of the year	**7,293,625**	4,310,162
(Reversed) / expense during the year	**(166,903)**	2,983,463
Bad debts during the year	**(415,978)**	-
Closing the provision against receivables balances	**(1,171,691)**	-
Closing the provision remaining balance against other revenues	**(216,286)**	-
Balance at the end of the year	**5,322,767**	7,293,625

8- INVENTORIES

	December 31, 2022 **SR**	December 31, 2021 SR
Raw materials	-	1,198,194
spare parts	-	147,748
Finished goods	-	387
	-	1,346,329
Allowance for slow moving inventories (*)	-	(1,346,329)
	-	-

(*)The movement in the Allowance for slow moving inventories is summarized as follows:

	December 31, 2022 **SR**	December 31, 2021 SR
Balance at the beginning of the year	**1,346,329**	1,346,329
Writte off allowance for slow moving inventories during the year	**(1,346,329)**	-
Balance at the end of the year	-	1,346,329

9- PREPAYMENT AND DEBIT BALANCES

	December 31, 2022 SR	December 31, 2021 SR
Accrued revenues	**2,213,325**	1,184,528
Value added tax	**865,575**	194,450
advance payments	**1,589,000**	-
Others	**59,331**	129,240
	4,727,231	1,508,218

10- LONG-TERM INVESTMENTS

	Share %	**December 31, 2022 SR**	December 31, 2021 SR
Al-Baha Private College of Science *	**37%**	**17,136,823**	17,136,823
		17,136,823	17,136,823

* Long-term investments represent the investment in Al-Baha Private College of Science that was exchanged in an asset exchange with Al-Sata'ah Modern General Contracting Company. The group has established a potential claims provision that includes this amount (Note 17).

11- PAYMENTS FOR PURCHASING OF INVESTMENT PROPERTIES

The company purchased half of a housing scheme in the city of Taif, Al-Wasliya district, Suk document No. 133/159/1/1, with a total value of SAR 9 million, and the company paid and settled this amount. It has been included in the asset exchange process with Al Sata'ah Modern General Contracting Company, and the Group has established a potential claims provision that includes this amount (Note 17).

12- GOODWILL

Goodwill was achieved through the acquisition of Ishraqa Regional Real Estate Development and Investment Company in 2017.

	Goodwell SR
Cost:	
On January 1, 2022	**28,389,288**
On December 31, 2022	**28,389,288**
Accumlated impairment:	
On January 1, 2022	**5,278,875**
Impairment during the year	**951,349**
On December 31, 2022	**6,230,224**
Net book value:	
On December 31, 2022	**22,159,064**
On December 31, 2021	**23,110,413**

12- GOODWILL (Continued)

Impairment testing :
The recoverable value of Ishraqa Regional Real Estate Development and Investment Company was determined at value in use which was calculated using discounted cash flow projections.

The key assumptions used in estimating the recoverable amount are set out below. The values assigned to key assumptions represent management's assessment of future trends in real estate activity and are based on historical data from external and internal sources.

	2022	2021
Discount rate	**13,19%**	**10.69%**
EBITDA growth rate	**2.5%**	**3%**

The discount rate is an estimated rate based on the weighted average cost of capital, assuming no Financial leverage is used.

The projections of future cash flows included specific estimates for a period of 10 years for rental receipts expected from 2023 to 2032 with an occupancy rate of 70% -80%.

13- PROPERTY, PLANT AND EQUIPMENT

	Lands SR	Equipment & Machines SR	Vehicles SR	Office equipment &devices SR	Furniture and fixture SR	Tools SR	Work in progress SR	Total SR
Cost:								
January 01, 2021	39,323,988	34,382,005	1,741,048	3,008,493	993,862	173,371	15,081,735	94,704,502
Additions	-	-	161,477	21,555	6,072	-	127,699	316,803
Transfer	-	-	-	-	-	-	(15,181,409)	(15,181,409)
December 31, 2021	39,323,988	34,382,005	1,902,525	3,030,048	999,934	173,371	28,025	79,839,896
Additions	-	-	-	-	-	-	**94,699**	**94,699**
Transfer to investment properties	-	-	-	-	-	-	**(122,724)**	**(122,724)**
December 31, 2022	**39,323,988**	**34,382,005**	**1,902,525**	**3,030,048**	**999,934**	**173,371**	-	**79,811,871**
Accumulated depreciation & impairment losses :								
January 01, 2021	-	34,382,005	1,741,048	3,002,575	884,382	173,371	-	40,183,381
Depreciation during the year	-	-	12,335	7,551	16,567	-	-	36,453
December 31, 2021	-	34,382,005	1,753,383	3,010,126	900,949	173,371	-	40,219,834
Depreciation during the year	-	-	**40,930**	**6,138**	**17,380**	-	-	**64,448**
December 31, 2022	-	**34,382,005**	**1,794,313**	**3,016,264**	**918,329**	**173,371**	-	**40,284,282**
Net book value:								
December 31, 2022	**39,323,988**	-	**108,212**	**13,784**	**81,605**	-	-	**39,527,589**
December 31, 2021	39,323,988	-	149,142	19,922	98,985	-	28,025	39,620,062

14-INTANGIBLE ASSETS

	Computer software SR	Total SR
Cost:		
January 01, 2021	57,803	57,803
Additions during the year	-	-
December 31, 2021	**57,803**	**57,803**
December 31, 2022	**57,803**	**57,803**
Accumulated amortization:		
January 01, 2021	**21,900**	**21,900**
amortization during the year	11,720	11,720
December 31, 2021	**33,620**	**33,620**
amortization during the year	11,720	11,720
December 31, 2022	**45,340**	**45,340**
Net Book Value		
December 31, 2022	**12,463**	**12,463**
December 31, 2021	**24,183**	**24,183**

15-INVESTMENT PROPERTIES

	Lands SR	Buildings & constructions SR	Total SR
Cost:			
January 01, 2021	110,217,738	17,450,567	127,668,305
Additions	-	145,305	145,305
Transfers from property and equipment	-	15,181,409	15,181,409
December 31, 2021	**110,217,738**	**32,777,281**	**142,995,019**
Additions	**69,702,000**	**27,720,740**	**97,422,740**
Transfers from property and equipment	-	**122,724**	**122,724**
December 31, 2022	**179,919,738**	**60,620,745**	**240,540,483**
Accumulated depreciation and impairment losses:			
January 01, 2021	4,513,759	1,169,519	5,683,278
Depreciation during year	-	645,074	645,074
Impairment losses	7,046,667	-	7,046,667
December 31, 2021	**11,560,426**	**1,814,593**	**13,375,019**
Depreciation during year	-	**1,066,150**	**1,066,150**
Impairment losses	**3,426,158**	-	**3,426,158**
December 31, 2022	**14,986,584**	**2,880,743**	**17,867,327**
Net Book Value			
December 31, 2022	**164,933,154**	**57,740,002**	**222,673,156**
December 31, 2021	98,657,312	30,962,688	129,620,000

15- INVESTMENT PROPERTIES (CONTINUED)

The group's investment properties are as follows:

Al-Hazm Complex: Its cost amounted to SAR 20,095,736, and the accumulated depreciation amounted to SAR 857,556, and the impairment loss amounted to SAR 1,772,138, and its net book value amounted to SAR 17,466,042 as of December 31, 2022 (2021: SAR 17,620,000).

Al-Malaz Complex: its cost amounted to SAR 123,069,747, and the accumulated depreciation amounted to SAR 2,339,705, and the impairment loss amounted to SAR 12,830,042, and its net book value amounted to SAR 107,900,000 as of December 31, 2022 (2021: SAR 112,000,000).

The Saudi modern factory: its cost amounted to SAR 27,500,000, accumulated depreciation SAR 33,586 and impairment losses Nill, and its net book value amounted to SAR 27,466,414 as of December 31, 2022 (2021: Nill).

Al-Ezdhar complex: its cost amounted to SAR 69,875,000, the accumulated depreciation amounted to SAR 34,300, the impairment loss Nill, and its net book value amounted to SAR 69,840,700 as of December 31, 2022 (2021: Nill).

The lands and buildings classified as investment properties were evaluated by an external valuer to determine their fair value as of December 31, 2022. The external valuation was performed by an external valuer approved by the Saudi Authority for Accredited Valuers (Taqeem).

The following are the measurement data for fair value in accordance with IFRS 13 as at December 31, 2022:

PROPERTIES	**Valuation method**	**Purpose**	**Value Basis**	**Fair Value SAR**
Al-Hazm Complex	Cost method and market method	Lease revenues and capital development	Market Fair Value	**17,500,000**
Al-Malaz Complex	Cost method and market method	Lease revenues and capital development	Market Fair Value	**112,061,000**
The Saudi modern factory	Cost method and market method	Lease revenues and capital development	Market Fair Value	**35,000,000**
Al-Ezdhar complex	Cost method and market method	Lease revenues and capital development	Market Fair Value	**70,100,000**

Impairment losses for investment properties amounted to SAR 3,426,158 for the year ending December 31, 2022 (2021: SAR 7,046,667).

The company uses valuation reports from the independent valuers (Al-Namaa Valuation Office - Abdulaziz Saleh Al-Ghamdi) and (Taqdeer Company - Hamad bin Abdullah Nasser Al-Hamad) who were appointed by the management to evaluate the fair value of investment properties on the date of the report.

16- RIGHT-OF-USE ASSETS

Right of use assets represent leased buildings and lands. The cost and related accumulated depreciation are presented below:

A) Right of use assets

	December 31, 2022 SR	December 31, 2021 SR
Cost		
Balance at beginning of the year	**55,657,969**	43,113,418
Additions during the year	**-**	18,230,679
Disposal during the year	**(36,573,028)**	(5,686,128)
Balance at ending of the year	**19,084,941**	55,657,969
Accumulated Depreciation		
Balance at beginning of the year	**6,319,912**	7,961,208
Depreciation	**3,939,877**	4,044,832
Disposal during the year	**(3,250,936)**	(5,686,128)
Balance at ending of the year	**7,008,853**	6,319,912
Net book value	**12,076,088**	49,338,057

B) Lease liabilities

	December 31, 2022 SR	December 31, 2021 SR
Balance at beginning of the year	**50,962,137**	37,575,657
Additions during the year	**-**	18,230,679
Settlement during the year against other income	**(365,594)**	(933,334)
Finance costs	**1,778,783**	1,611,856
Disposal during the year	**(34,759,893)**	-
Lease liability payment	**(4,220,075)**	(5,522,721)
Balance at ending of the year	**13,395,358**	50,962,137
Current portion of lease liability	**2,598,039**	8,474,409
Non-current portion of lease liability	**10,797,319**	42,487,728
Lease liabilities	**13,395,358**	50,962,137

17- POTENTIAL CLAIMS PROVISIONS

	December 31, 2022 SR	December 31, 2021 SR
Balance at beginning of the year	**84,003,717**	84,003,717
Payment during the year	**(3,000,000)**	-
Balance at ending of the year	**81,003,717**	84,003,717

*On February 3, 2011, the company signed a contract with Al-Sata'ah Modern General Contracting Company, according to which the company purchased the following:

-A crusher with all its equipment, its vehicles, and all the movable and fixed assets without its financial liabilities.
-The ready-mix concrete project and its movable and fixed assets without their financial receivables.
-The Holochlor plant (under construction) in addition to its equipment without its financial receivables.

This is in return for assets with a book value of SAR 74,003,717 in addition to a payment of SAR 10 million in four installments certified checks.
The company has done the following:

1-According to the minutes of the company's ordinary general assembly held on April 26, 2011, in which the vote on the asset exchange agreement with Al-Sata'ah Modern Contracting Company that was postponed to another meeting of the general assembly after completing the required reports and studies.

2- The company contracted with a specialized office to carry out the due diligence examination of the assets of the modern Al-Sata'ah company subject to the agreement, and thus the office issued the report of the due diligence examination on September 17, 2011 and those assets were valued only at SAR 17,300,559.

3- The company announced on Tadawul website on September 18, 2011 the results of the due diligence examination report related to the evaluation of the assets of Al-Sata'ah Modern General Contracting Company, and in view of the large difference between the evaluation result of the assets of Al-Sata'ah Company and the value of the assets of the Al-Baha Company offered for exchange with the assets of Al-Sata'a Modern Company, The management of Al-Baha Investment and Development Company discussed the evaluation results with the management of Al-Sata'ah Modern Company.

4- The company announced on Tadawul on October 1, 2011 the results of its negotiations with Al-Sata'ah Modern Company, which resulted in Al-Sata'a Modern Contracting Company not accepting the results of the examination report, and also refused to return the amount of SAR 7 million that the company had paid in advance as part of the contract. As a result of that, the company canceled the contract with the Al-Sata'a Modern Contracting Company and a lawsuit was filed in the Judicial Council demanding that the Al-Sata'ah Modern Contracting Company to return the amount paid. A final judgment was issued in the case from the Judicial Council in Jeddah on 6/24/1434 that includes ratification of the initial judgment issued by Administrative court in Jeddah to complete the implementation of the contract. On the date of February 9, 2017, the company received a copy of the judgment of the enforcement department of the General Court in Baljurashi, which states that by looking at the ruling issued by the Judicial Council, it was found that the items to be implemented were not specified, and the ruling of the Execution Department ended with stopping the implementation until the judgment issued by the Judicial Council is corrected so that it is determined. The clauses to be executed clearly and precisely for each clause, and the ruling of the enforcement department stipulated the right to object to the two parties to the execution within a period of thirty days starting from the next day from the date of receiving the verdict copy, and the case is still pending with the concerned courts. The company decided to create an allowance to cover all losses resulting from that operation, with the amount of SAR 68,699,441.

17- POTENTIAL CLAIMS PROVISIONS(Continued)

5- During the year 2017, the company refunded the increase in the provision for replacing previously formed assets with a value of SAR 1,996,283, so that the balance of the provision for replacement of assets after returning the increase amounted to SAR 66,703,158.

6- On March 6, 2018, the interpretative decision was issued by the Jeddah Commercial Court, Second Circuit, specifying the items to be implemented as follows:

First: To oblige Al-Baha Investment and Development Company to pay to Al-Sata'ah Modern Company for General Contracting an amount of SAR 3 million.

Second: To oblige Al-Baha Investment and Development Company to effectively waive the entire 134 plots of land with the notary, which Al-Baha Company owns 50% of the entire land in the Al-Morouj Scheme located in Al-Sail Al-Saghir in Al-Taif Governorate, to Al-Sata'ah Modern General Contracting Company.

Third: To oblige Al-Baha Investment and Development Company to waive to the Al-Sata'a Modern Company for General Contracting the entire contents of the poultry project and the land on which the project is based, which is owned by the Al-Baha Investment and Development Company.

7- On April 19, 2018, the company filed an appeal with the Jeddah Commercial Court. On November 5, 2018, the company received a report from a lawyer stating that the appealed judgment was overturned. On November 8, 2018, the company submitted the list objecting to the department's interpretation of the ruling, and on January 09, 2019 AD, the Second Commercial Department of the Jeddah Commercial Court decided to issue its preliminary ruling to adhere to its previous decision dated 06/19/1439 AH and the judge that the term intended to oblige the parties to the lawsuit to complete the implementation of the contract concluded between them The subject of this case, dated 03/03/1432 AH, and on February 24, 2019 AD, the company filed its appeal against the judgment received on January 27, 2019 AD. On 05/07/1442 AH, corresponding to February 17, 2021 AD, the department decided to accept the objection in form, reject it in substance, and support the judgment of the Second Circuit (in the Jeddah Commercial Court in the case) and the judge decided to implement the items referred to in Clause No. 6, and accordingly the company decided to increase the allowance for potential claims by the amount of SAR 17,300,559, It was recorded in the consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2020.

8- During the year 2022, a final judgment was issued against Al-Baha Investment and Development Company, and the company had to implement what was stated in item No. 6 above, and accordingly, during the year, the company paid an amount of SAR 3 million, and the rest of the aforementioned items are being implemented.

18- ZAKAT PROVISION

A) The zakat position

For the Years from inception until the year 1999

The assessment was made by the General Authority of Zakat and Tax for the Years from inception until the year 1999, with a value of SAR 5,706,080, the Amount paid in full.

For the Years from 2000 to 2010

The assessment was made by the Zakat, Tax and Customs Authority for the years from 2000 to 2010 with a value of SAR 16,849,347, and the assessment was objected to on Shaaban 3, 1434 AH corresponding to June 12, 2013 AD due to the existence of fundamental differences in the assessment based on the opinion of the Zakat consultant. An objection letter was submitted, explaining the fundamental differences and the correct basis to calculate each item based on the opinion of the Zakat Adviser. On the date of Shawwal 26, 1436 AH, corresponding to August 11, 2015 AD, the primary tax objection committee in Riyadh rejected the objection submitted by the company, and accordingly the company on 20 Safar 1437 AH corresponding to December 2, 2015 AD submitted an appeal to object to the decision of the first tax objection committee in Riyadh. On 12 Dhu al-Qi'dah 1439 AH corresponding to 25 July 2018 AD, the company received the tax appeal committee's decision to reject the appeal submitted by the company. Accordingly, the company recognized the amount of zakat in the list of profit or loss and other comprehensive income for the year ended December 31, 2018. On December 29, 2019, the company received A decision from the Committee for Settlement of Zakat and Tax Disputes declaring that the Committee has approved the settlement of the dispute for the period in question, so that the Zakat assessment after settlement becomes SAR 12,068,069, with a decrease of SAR 4,781,278. Accordingly, the company recognized the amount of the reduction as other income in the statement of profit or loss and other comprehensive income for the year ended December 31, 2019.

For the Years from 2011 to 2018

The final assessment was made by the Authority for the years from 2014 to 2018, and the company finalized its zakat position with the Authority and paid all its zakat obligations accordingly.

For the Years from 2019 to 2022

Zakat declarations have been submitted for those years, and the final assessment has not been made by the Zakat, Tax and Customs Authority yet.

B) Zakat Provision Movement

	December 31, 2022 SR	December 31, 2021 SR
Balance at beginning of the year	**16,271,195**	15,757,922
Charged during the year	**2,721,382**	1,242,513
Zakat adjustments	-	(271,898)
Paid during the year	**(16,160,019)**	(457,342)
Balance at end of the year	**2,832,558**	16,271,195

18- ZAKAT PROVISION (Continued)

C) Zakat base

The provision for zakat charge is based on the following:

	December 31, 2022 SR	December 31, 2021 SR
Saudi share of:		
Shareholders' equity – as per Zakat,Tax and Customs Authority	**267,739,726**	234,500,000
Provision and others adjustments	**95,945,657**	221,593,072
Book value of long term assets – as per Zakat, Tax and customs Authority	**(39,323,989)**	(112,068,532)
Investments	**(138,322,565)**	(268,402,442)
Accumulated losses	**(77,644,049)**	(68,633,121)
Others	**(12,463)**	50,908,789
Adjust loss for the year	**(2,894,703)**	(9,996,232)
Zakat base	**105,487,614**	47,901,534
Zakat calculated for the year	**2,721,382**	1,242,513

- Zakat is calculated based on the adjusted net profit or the zakat base, whichever is higher.
- Zakat is calculated from the adjusted net profit at 2.5٪, while the zakat base is calculated from the zakat base less the adjusted net profit at 2,57768٪ and 2.5٪ from the adjusted net profit.

D) Adjusted net loss for the year

The adjusted net loss or the year reconciliation is as follows:

	December 31, 2022 SR	December 31, 2021 SR
Net loss before zakat for the year	**(5,373,488)**	(7,874,997)
Other provisions	**26,336**	3,036,625
Adjusted on Adjusted net loss for the year	**2,452,449**	(5,157,860)
Adjusted net loss for the year	**(2,894,703)**	(9,996,232)

19- ACCOUNTS PAYABLE

	December 31, 2022 SR	December 31, 2021 SR
Suppliers	**921,870**	921,870
Other payable	**15,591**	121,564
	937,461	1,043,434

20- SECURITIES AUCTION SHARES UNDER SETTLEMENT

The company obtained the approval of the Capital Market Authority on 03/25/1430 AH corresponding to 03/22/2009 AD to sell the unpaid shares for (SAR 2.5) per share to collect the value of the last installment, and the company started the sale process on 06/28/2009. A number of (984,032 shares) were sold at an amount of (SAR 14,325,234) according to the offers submitted in the auction. It was fully collected and an amount of SAR 2,113,074 was used to complete the capital, while the rest of the amount of SAR 12,212,160 will be returned as a surplus to the shareholders who failed to pay the installments and whose shares were sold by auction, noting that the remaining amount for shareholders who defaulted on the installments due to the company is SAR 10,600,785 as on December 31, 2022 (December 31, 2021 : SAR 10,672,455).

20- SECURITIES AUCTION SHARES UNDER SETTLEMENT

On 07/20/1443 AH corresponding to 02/21/2022 AD, the company's shareholders approved in the extraordinary general assembly to increase the company's capital from SAR 177,000,000 to SAR 297,000,000, 12,000,000 shares were subscribed for, 10,735,702 shares were sold to rights holders, amounting to The number of unsubscribed shares is 1,264,298 shares that were sold at a value of 23,837,933 Saudi riyals, resulting in an amount of 11,194,953 Saudi riyals that will be refunded as a surplus to the unsubscribed shareholders, and the remaining value amounted to 682,499 riyals as of December 31, 2022.

21- RELATED PARTY TRANSACTIONS AND THEIR BALANCES

During the year, the group entered into the following trading transactions with related party:

	December 31, 2022 SR	December 31, 2021 SR
Settlement of a payment to Mr. Mishaal Mohammad Hassan Mufti from his balance	**(650,000)**	(283,863)

The following balance was due to related party as at the reporting date:

	December 31, 2022 SR	December 31, 2021 SR
Mr. Mishaal Mohammad Hassan Mufti	-	650,000
	-	650,000

The benefits and remunerations of senior employees and the Board of Directors during the year are as follows:

	2022 SR	2021 SR
Short benefits and rewards	**723,016**	887,041
long benefits	**156,367**	120,126
	879,383	1,007,167

22- EMPLOYEES' BENEFITS OBLIGATIONS

	December 31, 2022 SR	December 31, 2021 SR
Balance at beginning of the year	**197,602**	165,449
Service Cost	**65,256**	44,873
Paid during the year	-	(12,720)
Balance at end of the year	**262,858**	197,602

23- ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	December 31, 2022 SR	December 31, 2021 SR
Accrued expenses	**2,464,782**	2,928,693
Employees receivables	**868,067**	934,875
Accrued Professional and legal fees	**300,988**	434,370
Accrued interest	**715,000**	-
Others	**16,245**	23,872
	4,365,082	4,321,810

24- Short term loans

A) On June 2, 2022 AD, corresponding to Dhu al-Qi`dah 3, 1443 AH, an agreement was signed between Elegant Centers Company and Arab National Bank to obtain a loan of SAR 65 million, and on July 3, 2022 AD, corresponding to Dhu al-Hijjah 4, 1443 AH, the company paid the full value of the loan.

b) On October 26, 2022 AD, corresponding to Rabi' al-Thani 1, 1444 AH, an agreement was signed between Elegant Centers Company and Arab National Bank to obtain a loan of SAR 50 million, which represents the outstanding balance as on December 31, 2022, and on January 22, 2023 AD, corresponding to Jumada II 29, 1444 AH. The company paid the full value of the loan. Noting that the group mortgaged the investment properties of Al-Malaz Complex and Al-Hazm Complex as a guarantee for repaying the loans.

The movement of short-term loans is summarized as follows:

	December 31, 2022 SR	December 31, 2021 SR
Balance at beginning of the year	-	-
Used during the year	**115,000,000**	-
Paid during the year	**(65,000,000)**	-
Balance at end of the year	**50,000,000**	-

25- SHARE CAPITAL

On February 21, 2022 AD, corresponding to Rajab 20, 1443 AH, the extraordinary general assembly approved the capital increase by offering 12 million rights shares to shareholders with a total value of SAR 120 million, so the capital after the increase became SAR 297 million divided into 29.7 million ordinary shares , the value of each share is SAR 10 (December 31, 2021: SAR 177 million, divided into 17.7 million shares, the value of each share is SAR 10).

26- NON-CONTROLLING INTERESTS

Non-controlling interests represents a portion of the net results of operations and net assets related to shares not owned by the parent company (Note 1).
The following is an analysis of the movement in non-controlling interests in the subsidiaries during the year

	December 31, 2022 SR	December 31, 2021 SR
Balance at the beginning of the year	**18,075,058**	18,848,742
loss for the year	**(119,770)**	(773,684)
Balance at the end of the year	**17,955,288**	18,075,058

27- REVENUES

Revenues represent the value of lease income in subsidiaries of SAR 11,516,628 for the year ended December 31, 2022 (2021 : SAR 11,405,811).

28- ADMINISTRATIVE AND GENERAL EXPENSES

	2022 SR	2021 SR
Employees salaries and benefits	**1,518,745**	1,692,818
Professional fees	**871,639**	1,604,005
Governmental fees and certifications	**173,647**	102,802
Depreciation of property, plan and equipment	**64,446**	36,453
Social insurance	**62,573**	73,425
Rent	**30,000**	40,091
Amortization of intangible assets	**11,721**	11,720
Post, phone, electricity and water	**2,574**	55,746
Other	**478,742**	195,276
	3,214,087	3,812,336

29-IPO fees

During the year 2022, the group increased the share capital and incurred IOP fees of SAR 3,995,600 for the year ended December 31, 2022 (2021: Nill).

30- Financing costs

	2022 SR	2021 SR
Finance cost of lease liabilities	**1,778,783**	1,611,856
Finance cost of short-term loans	**972,833**	-
	2,751,616	1,611,856

31- OTHER INCOME

	2022 SR	2021 SR
Gain from rightof use assets disposal	**1,437,800**	-
Cases Acquired Against Lessee	**547,130**	-
Settlement of lease liability against other income	**365,594**	933,334
Scrap Sales	**290,435**	-
Provision For Expected Credit Losses settlement	**216,286**	-
Other	**120,929**	48,982
Refund part of zakat provision	-	222,916
	2,978,174	1,205,232

32 –LOSS PER SHARE

Loss per share is calculated on the basis of the net loss for the year attributable to the shareholders of the company divided by the weighted average number of shares issued. Diluted earnings per share is the same as basic earnings per share because the group does not have diluted instruments issued.

	December 31, 2022 SR	December 31, 2021 SR
Net loss for year attributable to the Shareholders	**(7,975,100)**	(8,343,826)
Weighted Average Number Of Shares	**27,036,986**	17,700,000
loss per share	**(0.29)**	(0.47)

(*) Weighted average number of shares:		
Shares issued at the beginning of the period	**17,700,000**	17,700,000
Impact of shares issued on March 23, 2022 (12 million shares)	**29,700,000**	-
Weighted average number of shares	**27,036,986**	17,700,000

33- SEGMENT INFORMATION

The Group consists of the following business segments:

1- Head Quarter 2- Poultry Farms 3- Leather Factory 4- Cable Car Project 5- Rentals

The assets, liabilities, revenues, activity costs and business results of these segments consist of the following:

	December 31, 2022 SR			December 31, 2021 SR		
	Total assets	**Total liabilities**	**Net loss**	**Total assets**	**Total liabilities**	**Net loss**
Description						
Head Quarter	**271,729,701**	**59,846,185**	**(7,975,100)**	179,151,382	79,292,766	(8,343,826)
Poultry Farms	**39,323,988**	**39,826,653**	-	39,323,988	39,826,653	-
Leather Factory	-	-	-	-	-	-
Cable Car Project	-	-	-	-	-	-
Rentals	**374,992,047**	**227,146,539**	**(1,203,506)**	219,300,951	72,658,949	(7,291,670)
Intersegment elimination	**(289,768,576)**	**(159,878,356)**	**1,083,736**	(150,473,682)	(21,906,738)	6,517,986
Total	**396,277,160**	**166,941,021**	**(8,094,870)**	287,302,639	169,871,630	(9,117,510)

34 -FINANCIAL INSTRUMENTS AND RISKS MANAGEMEN

The main financial instruments carried on the consolodated statement of financial position include cash and cash equivalents, accounts receivables and other current assets, accounts payables, accrued liabilities and other current liabilities.

Credit Risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. And In the opinion of management, the credit risk is not significant . The Company places its cash with banks that have sound credit ratings. Accounts receivables are carried net of provision for doubtful debts , if any .

Commission rate risk
It is the exposure to multiple risks related to the effect of changes in commission rates in the market on the consolidated financial position of the Group and its cash flows. The Group monitors commission rate fluctuations and believes that the impact of commission rate risk is not significant.

Currency risk
It is the risk of change in the value of financial instruments due to changes in foreign exchange rates. The main transactions of the group are in Saudi riyals and accordingly management believes that currency risk is not significant .

Liquidity risk
It is the risk that the Group is not able to meet its financing requirements, especially loan obligations.

Fair value
They are the sums with which an asset is exchanged or a commitment settlement is made between parties who have knowledge and desire to do so, and that takes place under the same conditions for dealing with other parties. Differences may arise between the book value and the fair value estimates. Management believes that the fair value of the Group's financial assets and liabilities is not materially different from their carrying value .

35- SUBSEQUENT EVENTS

The management believes that there are no significant subsequent events since the end of the year that may require disclosure or amendment to these consolidated financial statements.

36- APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the board of Directors on 9 Ramadan 1444 AH (March 31, 2023).