SADR LOGISTICS COMPANY

(A Saudi Joint Stock Company)

THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

ALONG WITH

INDEPENDENT AUDITOR'S REPORT

SADR LOGISTICS COMPANY
(A Saudi Joint Stock Company)
The Financial Statements
For the year ended 31 December 2023

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

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
SADR Logistics Services Company
(A Saudi Joint Stock Company)

Opinion
We have audited the financial statements of **SADR Logistics Services Company** (the "Company") which comprise of the statement of financial position as at 31 December 2023, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement cash flows for the year then ended and notes to the financial statements, including material accounting policy information.

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

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing ("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 Financial Statements" section of our report. We are independent of the Company in accordance with the requirements of International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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Independent Auditors' Report to the shareholders of SADR Logistics Services Company (Continued)

Revenue recognition	
Refer to note 3 for the accounting policy and note 24 for related disclosures.	
Key audit matter	***How the matter was addressed in our audit***
The Company recognized revenue of SR 103 million during the year ended 31 December 2023 (31 December 2022: SAR 111 million). The Company recognizes revenue either at a point in time when the customers obtain control over the goods and this is done upon acceptance and delivery of the goods to the customer or over time when the performance obligations are satisfied over time. Revenue recognition is considered as a key audit matter due to the fact that revenue is one of the Company's performance indicators giving rise to an inherent risk that revenue could be subject to overstatement to meet targets or expectations.	Our audit procedures on revenue recognition of the Company included the following: - Assessed the appropriateness of the Company's accounting policy for revenue recognition in accordance with the requirements of International Financial Reporting Standard No. (15) "Revenue from Contracts with Customers". - Assessed the design and implementation of relevant controls in relation to revenue recognition. - Evaluate the key contractual arrangement with customers. - Performed tests (on a sample basis) of revenue transactions and traced these to the supporting documentation, to verify that these transactions are appropriately recognized and recorded in the correct accounting period. - Assessed the adequacy of relevant disclosures in the financial statements.

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Independent Auditors' Report to the shareholders of SADR Logistics Services Company (Continued)

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report of the Company (but does not include the financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the 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 financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report of the Company, when made available to us, if we 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 ("TCWG") for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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Independent Auditors' Report to the shareholders of SADR Logistics Services Company (Continued)

Auditor's responsibilities for the audit of the financial statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

For Dr. Mohamed Al-Amri & Co.

Gihad Al-Amri
Certified Public Accountant
Registration No. 362

Riyadh, on: 21 Ramadan 1445H
Corresponding to: 31 March 2024 G

SADR LOGISTICS COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

	Note	31 December 2023	31 December 2022 (Restated) (Note 35)
ASSETS			
Non-current assets			
Property, plant and equipment	6	**55,323,105**	43,422,144
Intangible assets	7	**3,387,704**	1,846,279
Net investment in finance lease	9	**484,003**	1,786,818
Right-of-use assets	8-1	**32,900,569**	14,932,091
Total non-current assets		**92,095,381**	61,987,332
Current assets			
Other financial assets – Investments	10	**34,000,000**	55,000,000
Inventory	11	**42,069,194**	40,423,356
Contract assets	12	**1,930,413**	4,951,041
Trade, other receivables and prepayments	13	**59,228,109**	61,767,244
Net investment in finance lease – current portion	9	**2,855,876**	4,477,721
Cash and cash equivalents	14	**7,742,031**	3,713,198
Total current assets		**147,825,623**	170,332,560
TOTAL ASSETS		**239,921,004**	232,319,892
EQUITY AND LIABILITIES			
Equity			
Share capital	15	**175,000,000**	175,000,000
Statutory reserve	16	**1,941,909**	1,941,909
Actuarial reserve		**(421,027)**	**(165,371)**
Accumulated losses		**(4,790,353)**	(544,908)
Total equity		**171,730,529**	176,231,630
Liabilities			
Non-current liabilities			
Lease liabilities – non-current portion	8-2	**19,275,233**	5,697,581
Employees' post-employment benefits	17-2	**3,842,746**	3,709,914
Borrowings	18	-	257,806
Total non-current liabilities		**23,117,979**	9,665,301
Current liabilities			
Lease liabilities - current portion	8-2	**13,199,825**	10,782,766
Borrowings	18	**1,931,103**	1,065,816
Due to related parties	22	**805,000**	805,000
Contract liabilities	19	**7,121,708**	7,217,253
Trade and other payables	20	**18,372,826**	22,860,778
Zakat provision	23-3	**3,642,034**	3,691,348
Total current liabilities		**45,072,496**	46,422,961
Total liabilities		**68,190,475**	56,088,262
TOTAL LIABILITIES AND EQUITY		**239,921,004**	232,319,892

The accompanying notes 1 through 37 form an integral part of these financial statements.

Chief Financial Officer	**Chief Executive Officer**	**Deputy Chairman of the Board of Directors**
Ahmed Mostafa Kortam	**Majid Abdullah Al issa**	**Bandar Mohamed Al Samaani**

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

	Note	31 December 2023	31 December 2022
Revenues	24	**103,176,821**	110,822,288
Finance lease income	9	**860,603**	-
Cost of revenue	25	**(86,020,944)**	(95,311,196)
Gross profit		**18,016,480**	15,511,092
Marketing and selling expenses	26	**(11,315,622)**	(9,853,122)
General and administrative expenses	27	**(9,636,351)**	(9,627,742)
Expected credit loss reversed/(charged) for contract assets	12	**73,728**	(114,224)
Expected credit loss (charged) for trade receivables	13	**(322,603)**	(1,481,713)
Impairment reversed on net investment in finance lease	9	**-**	943,416
Other revenues, net	28	**560,255**	263,531
(Loss) from operations		**(2,624,113)**	(4,358,762)
Finance costs, net	29	**(1,072,290)**	(915,508)
Gains from investments carried at FVTPL	10-1	**-**	1,428,986
Gain from investments carried at amortized cost	10-2	**2,757,884**	319,652
Net (loss) before zakat		**(938,519)**	(3,525,632)
Zakat	23-3	**(3,306,926)**	(3,690,301)
Net (loss) for the year		**(4,245,445)**	(7,215,933)
(Loss)– (basic and diluted)	30	**(0.024)**	(0.041)
<u>Other comprehinsive (loss) / income:</u>			
Items that will not be reclassified subsequently to profit or loss			
Actuirial (loss) / gain for employees' post-employment benefits	17-2	**(255,656)**	577,867
Total comprehinsive (loss) for the year		**(4,501,101)**	(6,638,066)

The accompanying notes 1 through 37 form an integral part of these financial statements.

Chief Financial Officer	**Chief Executive Officer**	**Deputy Chairman of the Board of Directors**
Ahmed Mostafa Kortam	**Majid Abdullah Al issa**	**Bandar Mohamed Al Samaani**

SADR LOGISTICS COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF CHANGE IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Share capital	Statutory reserve	Actuarial reserve	Retained earnings	Total
Balance as at 1 January 2022		175,000,000	1,941,909	(743,238)	6,671,025	182,869,696
Net (loss) for the year		-	-	-	(7,215,933)	(7,215,933)
Other comprehensive income	17-2	-	-	577,867	-	577,867
Balance as at 31 December 2022		175,000,000	1,941,909	(165,371)	(544,908)	176,231,630
Net (loss) for the year		-			**(4,245,445)**	**(4,245,445)**
Other comprehinsive loss	17-2	-	-	**(255,656)**	-	**(255,656)**
Balance as at 31 December 2023		**175,000,000**	**1,941,909**	**(421,027)**	**(4,790,353)**	**171,730,529**

The accompanying notes 1 through 37 form an integral part of these financial statements.

Chief Financial Officer	Chief Executive Officer	Deputy Chairman of the Board of Directors
Ahmed Mostafa Kortam	**Majid Abdullah Al issa**	**Bandar Mohamed Al Samaani**

SADR LOGISTICS COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

	Note	31 December 2023	31 December 2022 (Restated) (Note 35)
Cash flows from operating activities			
Net (loss) before zakat		**(938,519)**	(3,525,632)
Adjustments for:			
Depreciation on property, plant and equipment	**6**	**1,513,955**	1,279,494
Amortization of intangible assets	**7**	**62,500**	62,500
Depreciation of right-of-use assets	**8-1**	**11,199,845**	9,589,071
Gain on disposal property, plant and equipment and intangible assets		**(282,602)**	(84,775)
Finance cost	**29**	**1,072,290**	915,508
Provision for post-employment benefits	**17-2**	**986,816**	1,127,770
Provision for obsolescence of inventory	**11-1**	**3,000,072**	487,986
Gains from investments designated at FVTPL	**10-1**	**-**	(1,428,986)
Gains from investments measured at amortized cost	**10-2**	**-**	(319,652)
Gains from net investments in finance lease	**9**	**(860,603)**	-
Reverse for impairment of net investment in finance lease	**9**	**-**	(943,416)
Expected credit loss (reversed)/charged for contract assets	**12**	**(73,728)**	114,224
Expected credit loss charged for trade receivables	**13**	**322,603**	1,481,713
		16,002,629	8,755,805
Changes in:			
Inventory		**(4,951,574)**	(25,757,426)
Contract assets		**3,094,356**	(2,371,521)
Trade, other receivables and prepayments		**3,248,992**	(35,985,320)
Contract liabilities		**(95,545)**	4,853,212
Trade and other payables		**(4,487,952)**	16,519,442
Due to related parties		**-**	305,713
Employees' post-employment benefits paid	**17-2**	**(1,109,640)**	(71,539)
Zakat paid	**23-3**	**(3,356,240)**	(860,165)
Net cash generated from / (used in) operating activities		**8,345,026**	(34,611,799)
Cash flows from investing activities			
Sale proceeds of investments carried at FVTPL	**10**	**55,000,000**	20,000,000
Purchase of investments carried at amortized cost	**10**	**(34,000,000)**	(25,000,000)
Proceeds from investments returns carried at FVTPL		**-**	1,428,986
Proceeds from investments returns carried at amortized cost		**-**	18,958
Purchase of property, plant and equipment	**6**	**(13,109,259)**	(33,297,969)
Purchase of intangible assets	**7**	**(1,603,925)**	(1,424,404)
Deposit proceeds/(paid) for purchase of right-of-use assets		**56,539**	(469,553)
Proceeds from the sale of property, plant and equipment		**282,609**	84,784
Proceeds from finance lease	**9**	**4,716,635**	2,024,070
Net cash generated/ (used in) investing activities		**11,342,599**	(36,635,128)
Cash flows from financing activities			
Lease liabilities paid	**8-2**	**(16,154,325)**	(14,642,769)
Proceeds from borrowings	**18**	**4,603,945**	718,136
Payment made for borrowings	**18**	**(4,108,412)**	(13,749,614)
Paid for expenses related to right issue of share capital	**21**	**-**	(16,632,745)
Net cash used in financing activities		**(15,658,792)**	(44,306,992)
Net change in cash and cash equivalents		**4,028,833**	(115,553,919)
Cash and cash equivalent at the beginning of the year		**3,713,198**	119,267,117
Cash and cash equivalents at ending of the year		**7,742,031**	3,713,198

SADR LOGISTICS COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

(Continued):

Non-cash transactions:

	Note	31 December 2023	31 December 2022 (Restated) (Note 35)
Purchase of right of use assets / lease liabilities		**29,224,862**	10,003,239
Transfer from inventory to property, plant and equipment	**6**	**305,665**	30,155
Transfer from project in progress to property, plant and equipment	**6**	**14,891,808**	6,957
Net investment in financial lease – current portion		**(1,554,266)**	-
Transfer from project in progress to right of use assets	**6**	**-**	10,479
Transfer from net investment in finance lease to trade receivable	**9**	**1,032,460**	2,833,698
Accrued income on investments carried at amortized cost proceeds		**622,705**	300,694
Lease liability addition	**8-2**	**30,611,190**	9,930,679

The accompanying notes 1 through 37 form an integral part of these financial statements.

Chief Financial Officer	Chief Executive Officer	Deputy Chairman of the Board Directors
Ahmed Mostafa Kortam	**Majid Abdullah Al issa**	**Bandar Mohamed Al Samaani**

(All amounts in Saudi Riyals unless otherwise stated)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Sadr Logistics Services Company (the "Company") was incorporated as a Saudi joint stock company under the Companies Law in the Kingdom of Saudi Arabia under the main commercial registration No. 1131012302 on 20 Shaaban 1414H corresponding to 2 February 1994.

The company carries out its industrial activities under Industrial Registration No. 415 issued on 18 Rajab 1412H, corresponding to 23 January 1992, and amended by Industrial License No. 112845 issued on 3 Ramadan 1443H, corresponding to 05 April 2022.

On 25 Rabi` al-Thani 1442H, corresponding to 10 December 2020, the Company's shares were listed and started trading in the main market "Tadawul" under the symbol (1832).

The principal activity of the Company is the manufacture of wooden pallets, the manufacture of prefabricated steel structure units, the manufacture of finished and semi-finished industrial products by forging, pressing, casting and rolling, the manufacture of furniture for all purposes from plastic.

The financial statements presented include the accounts of the Company and its branches, as follows:

Branch Name	CR No.	City
Branch Sadr Logistics Company	1010947309	Riyadh (I)
Branch Sadr Logistics Company	1010742525	Riyadh (II)
Branch Sadr Logistics Company	2050115434	Dammam

The purpose of Riyadh Branch I is the manufacture of wooden containers, including (packing boxes, crates, and shipping containers made of wood), and the manufacture of wooden pallets.

The purpose of Riyadh Branch II is to operate storage facilities for all types of goods (except foodstuffs), land transportation of goods, light transport, cargo and unloading services in general, refrigerated food stores, frozen food stores, general stores that include a variety of goods, material stores, dry food, logistics services, management and rental of self-storage warehouses.

The purpose of the Dammam branch is the Integrated Office Management Services activities, wholesale of wooden, cork and plastic products, the wholesale of office furniture, the retail sale of metal scrap and carpentry and blacksmithing tools and tools, the sale of metal, stel and wooden boxes and caravans.

The commercial registration No. 1131023051, of Buraidah Branch, was cancelled on 19 Safar 1444H, corresponding to 16 September 2022, due to the lack of economic feasibility to carry out the business activity.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Measurement basis

The financial statements have been prepared in accordance with the historical cost basis, except for recognizing employees end-of-service benefits at the present value of future obligations using the projected unit credit method and certain financial instruments that are measured at fair value as explained in the significant accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

2.3 Functional and presentation currency

The financial statements are presented in Saudi Riyals (SR), which is the Company's functional currency. All amounts are rounded to the nearest Saudi Riyal unless otherwise indicated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Current versus non-current classification

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

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

The Company classifies all other assets as non-current assets.

A liability is current when:

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

The Company classifies all other liabilities as non-current liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to settle a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. Fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interests.

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

Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 'Inventories' or value in use in IAS 36 'Impairment of Assets'.

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

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

Level 1: Quoted (unadjusted) market prices in active markets for identical assets and liabilities can be obtained at the measurement date.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly observable (such as prices) or indirectly (derived from prices).

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable (unobservable inputs).

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

The Company has determined the policies and procedures for both recurring fair value measurement, and for non-recurring measurement.

At each reporting date, the Company analyzes the changes in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, the Company verifies the major inputs applied in the latest valuation by considering the information in the valuation computation to contracts and other relevant documents. The Company also compares the change in the fair value for each asset and liability with relevant external sources to determine whether the change is reasonable.

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

3.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment in value (if any), except for land and capital work in progress which are stated at cost less accumulated impairment in value and are not depreciated. Capital work in progress represent costs relating directly to the new projects in progress and are capitalized as property, plant and equipment when the project is completed. However, depreciation on such assets under construction commences when the asset becomes available for use.

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company and the amount can be measured reliably.

(All amounts in Saudi Riyals unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Property, plant and equipment (continued)

Borrowing costs directly attributable to construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use are added to the cost of these assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

When parts of property, plant and equipment are significant in cost in comparison to the total cost of the item, and where such parts/components have a useful life different than other parts and are required to be replaced at different intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognized in the profit or loss as incurred.

Depreciation is calculated from the date the item of property, plant and equipment are available for its intended use or in respect of self-constructed assets, from the date such assets are ready for the intended use.

Depreciation is calculated on a straight-line basis over the useful life of the asset as follows:

Statement	Percentage
Buildings and fixtures	5% - 15% per annum
Leasehold improvements	5% per annum or over the lease period, whichever is less
Machines and equipment	12% per annum
Vehicles	25% per annum
Tools	20% per annum
Furniture	15-25% per annum

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the profit or loss.

Items such as spare parts, stand-by equipment and servicing equipment, if any, are recognized in accordance with IAS 16, when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory as per IAS 2.

3.4 Capital project in progress

Assets under construction are capitalized under capital projects in progress. Assets under construction or development are transferred to the appropriate category of property, equipment or intangible assets (depending on the nature of the project), when the asset reaches the location and/or condition necessary for it to operate in the manner deemed by management. The cost of the capital project in progress item includes the purchase price, construction/development cost, professional fees, borrowing costs for qualifying assets, capitalized in accordance with the Company’s accounting policy and any other costs directly associated with creating or acquiring the capital work-in-progress item that management considers. Costs associated with testing items of capital work-in-progress (before they are available for use) are capitalized net of proceeds from selling any production during the testing period. Capital projects in progress are not depreciated or amortized.

3.5 Intangible assets

Intangible assets acquired separately

The intangible asset is initially recognized at cost equal to the fair value of the consideration paid at the time the asset was acquired. Such assets are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Intangible assets (continued)

Intangible assets acquired separately (continued)

The Company applies the following annual rates of amortization to its intangible assets.

Computer software	16%-18% per annum

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. An intangible asset with an indefinite useful life is not amortized, rather, such an asset is tested for impairment annually, and whenever there is an indication that asset may be impaired.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following conditions have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- The intention to complete the intangible asset and use or sell it
- The ability to use or sell the intangible asset
- How the intangible asset will generate probable future economic benefits
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- The ability to measure reliably the expenditure attributable to the intangible asset during its development

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss when the asset is derecognized.

3.6 Inventory

The inventory includes finished goods, work in progress, raw material, stores supplies, spare parts and goods in transit. Please include goods-in-transit as well. Company measures inventory at lower of cost and net realizable value. Cost includes cost of material and all expenses directly related to manufacturing and the appropriate amount of other costs, based on the normal operating capacity. Finished goods cost includes raw material cost, labour and appropriate general production expenses. The cost of Finished goods and work-in-progress is determined on weighted average basis which includes, inter alia, an allocation of labor and production overheads. The cost of goods in transit is determined based on the invoice value plus other charges incurred in getting this inventory to its location at the reporting date. The value of the raw materials, stores supplies and spare parts are measured using weighted average method. The net realizable value forms the estimated selling price during the ordinary business of the Company after deducting the additional production cost to complete and the selling and distribution expenses.
The Company reviews the carrying value of inventory regularly, and when needed, inventory is reduced to net realizable value or a provision is made for obsolescence if there is any change in the usage pattern and / or physical appearance of the related stock.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Impairment of non – financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. 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 Company 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:

(i) fair value less costs of disposal; and

(ii) 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 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 deter-mined 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.

3.8 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, current accounts, deposits with banks and other short-term highly liquid investments with original maturities of three months or less, which can be readily converted into a specified amount of cash and are subject to an insignificant risk of change in value and are available for the Company's use.

3.9 Equity reserves

The share capital represents the nominal value of the shares that have been issued. Retained earnings include all current and prior period retained earnings. All transactions with the owners of the company in their capacity as owners are presented separately within equity. Owners of the Company are holders of instruments classified as equity.

3.10 Employees benefit

Short-term obligations
Liabilities for wages and salaries, including non-monetary benefits and accumulated leaves, air fare, child education allowance, furniture allowance that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Retirement benefits
Retirement benefits made to funded defined contribution plans in respect of Saudi employees are expensed when incurred.

Employees' post-employment benefits
The liability or asset is recognized in the statement of financial position with respect to defined benefit. The liability recognised is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Employees benefit (continued)

Employees' post-employment benefits (continued)

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

Defined benefit costs are categorized as follows:

Service cost

Service costs include current service cost and past service cost that are recognized immediately in the profit or loss. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in the profit or loss as past service costs.

Interest cost

The interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation. This cost is included in salaries, wages and other benefits expense in the profit or loss.

Re-measurement gains or losses

Re-measurement gains or losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income.

3.11 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, 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.

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

Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Company's obligation.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

3.12 Contingent liabilities

All contingent liabilities arising from past events that will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are not fully controlled by the Company or all current liabilities arising from past events but are not recognised for the following reasons:

1) It is not probable that the flow of external resources inherent in economic benefits will be required to settle the obligation or
2) The amount of the obligation cannot be measured reliably,

Contingent liabilities are assessed at the date of each financial position and disclosed in the Company's financial statements unless the probability of an outflow of resources embodying economic benefits is remote.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Zakat and taxation

Zakat

The Company is subject to zakat in accordance with the Zakat, Tax and Customs Authority (ZATCA) laws in the Kingdom of Saudi Arabia. Zakat charge is provided on the accrual basis and presented in Statement of profit or loss and other comprehensive income. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is adjusted.

Withholding tax

The Company withhold taxes on certain transactions with non-resident parties in the KSA, as required under Saudi Arabian Income Tax Law.

Value added tax

Expenses and assets are recognized net of the amount of value added tax, except:

1) when the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
2) when receivables and payables are stated with the amount of value added tax included. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

3.14 Foreign Currencies

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in the profit or loss.

3.15 Finance costs

Finance costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other finance costs are expensed in the period in which they are incurred. Finance costs consist of interest and other costs incurred by the Company in connection with the borrowing of funds.

3.16 Revenue

Revenue is recognised by reference to each distinct performance obligation in the contract with customer and is measured at consideration specified in the contract of which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax (Value added tax), returns, rebates and discounts if any.

The Company recognises revenue using the five steps model as per IFRS 15 Revenue from Contracts with customers when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of that asset. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

The Company transfers control of a good or service at a point in time unless one of the following, over time criteria is met:

- The customer simultaneously receives and consumes the benefits provided as the Company performs.
- The Company’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Company’s performance does not create an asset with an alternative use and the Company has an enforceable right to payment for performance completed to date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Revenue (continued)

3.16.1 Product sale

The Company is engaged in selling different warehouse solution products, including wooden and plastic pallets, steel racks, forklifts, refrigeration systems and other equipment.

Revenue from the sale of these products is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the products. The company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of products, the company considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

3.16.2 Rendering of installation services

The Company provides installation and maintenance for the above-mentioned products. These services can be obtained from other providers and do not significantly customize or modify the product.

Contracts for bundled sales of products and related installation services are comprised of two performance obligations because the promise to transfer products and provide installation services are capable of being distinct and separately identifiable. The company allocates the transaction price based on the stand-alone selling prices of the equipment and installation services. If the stand-alone prices are not observable, the transaction price is allocated based on the best estimate of similar services.

The Company recognizes revenue form the above services at the point in time, generally upon completion of services or delivery of the equipment.

3.16.3 Projects revenue

3.16.3.1 Building racking systems

The Company provides services of setting up racking systems at warehouses of the customers. Upon approval of design and signing of an agreement, the Company starts production of the required parts/equipment. These parts and equipment are then transported and installed at customer's warehouse to complete the racking system.

In such contracts, the customer controls all the work in progress as the work progresses and parts are manufactured. This is because work is performed and parts are made to a customer's specification and if a contract is terminated by the customer, the Company is entitled to reimbursement of the costs incurred to date, including the reasonable profit margin.

At the time of entering into a contract, the Company identifies the performance obligations attached to each contract. For this purpose, the Company evaluates the contractual terms and its customary business practices to identify whether there are distinct performance obligations within each contract. The Company determines the transaction price of each contract in order to identify the transaction price of each aforementioned performance obligation as the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods and services to a customer. Having determined the transaction price of the contract, the Company allocates the transaction price to each performance obligation.

The Company recognizes revenue from such contracts over time, using an input method on a cost-to-cost method, i.e., based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The directors consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under IFRS 15.

The Company receives advances from customers for such projects. Generally, such advances are not significant to the contract consideration and received in the normal course of business at the start of the project. The Company does not adjust the promised amount of consideration for the effects of a significant financing component as the Company has determined that such advances are received for reasons other than financing the projects. These advances are adjusted against progress billings raised to the customer in accordance with the terms of the contract.

The value of work completed but not billed at the date of statement of financial position is classified as "contract assets" under current assets in the statement of financial position. Amounts billed in excess of work completed and advances received at the statement of financial position date are classified as "contract liabilities" under current liabilities in the statement of financial position. Invoices are issued according to contractual terms and are usually payable within 30 to 90 days.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16.3 Projects revenue (continued)

3.16.3.2 Removal and re-installation services

The Company provides the services of removing warehouse installations from one warehouse and re-installing at another warehouse. As the customer receives and consumes the benefits of such service simultaneously, the Company recognizes the revenue from these contracts overtime. The Company recognizes the revenue using output method by assessment of result achieved or milestones reached relative to the services promised under the contract.

3.16.4 Logistics services

2PL Contracts

The Company subleases the leasehold warehouses to the customers. These warehouses are then used and managed by the customer. The company usually provides general maintenance of the warehouse only. The company arranges the insurance of the warehouse which is charged back to the customer on actual basis. The Company recognizes the revenue from such contracts in accordance with IFRS 16 Leases.

3PL Contracts

The Company also provides storage space, inbound and outbound logistics, and other warehouse management services to the customers at its leasehold warehouses. These warehouses are managed and controlled by the Company and not by the customer and hence no sublease exists. Such contracts are accounted for as per IFRS 15 Revenue from Contracts with customers. As series of distinct services provided under such contracts are substantially the same and have same pattern of transfer to the customer, the Company recognizes revenue over time based on the period of service.

3.17 Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Accounts receivables

A receivable represents the Company’s right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

3.18 Selling, marketing and general and administrative expenses

Selling, marketing and general and administrative expenses include direct and indirect costs that are not specifically part of cost of sales. Allocation between cost of sales and selling, marketing and general and administrative expenses, when required, is made on a consistent basis. The company recognizes marketing support from sellers in selling and marketing expenses on an accrual basis.

3.19 Earning per share

The Company presents basic and diluted earnings per common share. Basic earnings per share from net profit (loss) is calculated by dividing the net profit (loss) for the year attributable to the ordinary shareholders of the Company to the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is determined by adjusting the net profit (loss) for the year attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the year for the effects of all potential diluted ordinary shares.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.20 Leases

The Company as lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate**.**

The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the entity that enters into the lease is different to that of the Company and the lease does not benefit from a guarantee from the Company.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.20 Leases (continued)

The Company as lessee (continued)

If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the ‘Property, plant and equipment’ policy. Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line “Other expenses” in statement of profit or loss and other comprehensive income.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Company as lessor

The Company enters into lease agreements as a lessor in respect of certain right-of-use assets that it leases from third parties.

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Company is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Company’s net investment in finance lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company’s net investment outstanding in respect of the leases.

Subsequent to initial recognition, the Company regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of IFRS 9, recognizing an allowance for expected credit losses on the lease receivables.

Finance lease income is calculated with reference to the gross carrying amount of the lease receivables, except for credit-impaired financial assets for which interest income is calculated with reference to their amortized cost (i.e. after a deduction of the loss allowance).

When a contract includes both lease and non-lease components, the Company applies IFRS 15 to allocate the consideration under the contract to each component.

3.21 Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 Financial instruments (continued)

Financial assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

3.21.2 Classification of financial assets

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

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; 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

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- 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

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the above, the Company may make the following irrevocable election / designation at initial recognition of a financial asset:

- The Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see below)
- The Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3.21.3 Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 Financial instruments (continued)

3.21.3 Amortised cost and effective interest method (continued)

For purchased or originated credit-impaired financial assets, the Company recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.
Interest income is recognised in profit or loss.

3.21.4 Equity instruments designated as at FVTOCI

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies.
Investments in equity instruments at FVTOCI 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 recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.
Equity instruments designated as at FVTOCI (continued)
Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment.
A financial asset is held for trading if either:

- It has been acquired principally for the purpose of selling it in the near term
- On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has evidence of a recent actual pattern of short-term profit-taking
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument)

3.21.5 Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Company designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Company has not designated any debt instruments as at FVTPL

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship (if any). The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the ‘Other income’ line item (note 10).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 Financial instruments (continued)

3.21.6 Impairment of financial assets

The Company recognises a allowance for expected credit losses on lease receivables, trade receivables and contract assets. No impairment loss is recognized for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime expected credit losses (ECL) for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company'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 Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

3.21.7 Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analyse governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating
- Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost.
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations.
- An actual or expected significant deterioration in the operating results of the debtor.
- Significant increases in credit risk on other financial instruments of the same debtor.
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise. Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased

significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 Financial instruments (continued)

3.21.7 Significant increase in credit risk (continued)

A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations

The Company considers a financial asset to have low credit risk when the asset has external credit rating of ‘investment grade’ in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of ‘performing’. Performing means that the counterparty has a strong financial position and there are no past due amounts.

For financial guarantee contracts, the date that the Company becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the Company considers the changes in the risk that the specified debtor will default on the contract.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3.21.8 Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company)

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 180 days past due for financial assets due from private sector customers and more than two years past due from government customers unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3.21.9 Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the issuer or the borrower
- A breach of contract, such as a default or past due event
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties

3.21.10 Write-off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two year past due for private sector customers and five years past due for government sector customers, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company’s recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 Financial instruments (continued)

3.21.11 Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default (PD), loss given default (LGD) (i.e. the magnitude of the loss if there is a default) and the exposure at default (ED). The assessment of the probability of default and loss given 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; for financial guarantee contracts, the exposure includes the amount of guaranteed debt that has been drawn down as at the reporting date, together with any additional guaranteed amounts expected to be drawn down by the borrower in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which the simplified approach was used.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

3.21.12 Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in an equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

3.21.13 Financial liabilities and equity

3.21.13.1 Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3.21.13.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 Financial instruments (continued)

3.21.13.3 Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Company, are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL
Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if either:
- It has been acquired principally for the purpose of repurchasing it in the near term
- On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has 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.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if either:
- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis
- It forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship (if any). The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. However, for financial liabilities that are designated as at FVTPL, 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 recognised in 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 profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Financial liabilities measured subsequently at amortised cost
Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.
The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities (continued)

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and net amounts reported in the financial statements, when the Company has a legally enforceable right, which is not contingent on anything, to set off the recognised amounts and intends either to settle on a net basis, or to realise the assets and liabilities simultaneously.

3. 22 Segmental reporting

3.22.1 Operating segment

A business segment is group of assets, operations or entities:

i) engaged in business activities from which it may earn revenue and incur expenses including revenues and expenses that relate to transactions with any of the group's other components;
ii) the results of its operations are continuously analyzed by chief operating decision maker in order to make decisions related to resource allocation and performance assessment; and
iii) for which financial information is discretely available.

The Company's Board of Directors is considered as Chief operating decision-maker. Segment results that are reported to the Board of Directors, include items directly attributable to a segment in addition to those that can be allocated on appropriate basis i.e., Head office expenses, research and development costs, related assets and liabilities, zakat assets and liabilities. The Company has its operations in the Kingdom of Saudi Arabia and have four operating segments, (steel – wood – logistics services – all other segments). Each segment has reached the quantitative threshold referred to in the Segment Reporting Standard in the IFRS 8.

3.22.2 Geographical segment

A geographical segment is a group of assets, operations, or establishments that engage in profitable activities in a particular economic environment that are subject to risks and returns that are different from those operating in other economic environments.

3.23 Monetary dividend and non-monetary dividend to shareholders

Monetary and non-monetary dividends to shareholders are recognized as liabilities upon declaration of the dividend, and according to the companies' law in the Kingdom of Saudi Arabia, dividends are declared upon approval by the shareholders. The amount of dividend is deducted directly from equity and recognized as a liability.

4. NEW STANDARDS AND INTERPRETATIONS

4.1 Amendments

A number of new amendments to standards, listed below, are effective this year but they do not have a material effect on the Company's Financial Statements, except for where referenced below:
New amendments to standards issued and applied as of 2023 are as follows;

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment

(All amounts in Saudi Riyals unless otherwise stated)

IAS 08	Modify the definition of accounting estimate	January 1, 2023	These amendments regarding the definition of accounting estimates to help entities distinguish between accounting policies and accounting estimates.
IAS 12	Income tax	January 1, 2023	This amendment addresses clarification regarding the accounting of deferred taxes on transactions such as leases and decommissioning obligations.

4. NEW STANDARDS AND INTERPRETATIONS (continued)

4.2 New standards, amendments, and revised IFRS issued but not yet effective

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

4.3 Amendments to IFRS 16 - Lease obligations in sale and lease transactions:

These amendments include requirements for sale and leaseback transactions in IFRS 16 to clarify how a company is accounted for sale and leaseback transactions after the transaction date. Sale and leaseback transactions in which some or all lease payments are considered to be variable lease payments depend on the index or price that is very likely to be affected.

4.4 Amendments to IAS 1 - Non-current liabilities with undertakings and classification of liabilities as current or non-current:

These amendments explain how compliance with the conditions that the Company must comply with within twelve months after the reporting period affects the classification of liabilities. These amendments are also intended to improve the information provided by the Company in relation to liabilities subject to these Terms.

4.5 Amendments to IAS 7 and IFRS 7 – Supplier Financing Arrangements.

4.6 Amendments to IAS 27 – Non-transferability.

Management anticipates that these new standards interpretations and amendments will be adopted in the Company’s financial statements as and when they are applicable and adoption of these interpretations and amendments may have no material impact on the financial statements of the Company in the period of initial application.

5. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgments and estimates

The preparation of these financial statements in compliance with IFRS requires the management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5.1 Critical judgements

In the process of applying the Company’s accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

5.1.1 Revenue recognition

Management considers recognizing revenue over time, if one of the following criteria is met, otherwise revenue will be recognized at a point in time:

a) the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;

b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

c) the Company's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

Management makes judgements in assessing amount and timing of revenue from contracts with customers. In making its judgement on satisfaction of performance obligation, the management considers the detailed criteria for the recognition of revenue set out in IFRS 15 and, in particular, whether the Company has transferred control of the goods or rendered services to the customer. Following the detailed quantification of the Company, the management recognises the revenue when it is satisfied that control has been transferred or performance obligation is satisfied that recognition of the revenue in the current year is appropriate.

5.1.2 Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue a going concern. Therefore, the financial statements are prepared on a going concern basis.

5.2 Key sources of estimation uncertainty

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that, period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material difference in the carrying amounts of assets and liabilities within the next financial period, are presented below. The Company used these assumptions and estimates on the basis available when the financial statements were prepared.

5. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

5.2 Key sources of estimation uncertainty (continued)

However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

5.2.1 Impairment of tangible and intangible assets

The Company's management tests annually whether there is an indication that tangible and intangible assets have suffered impairment in accordance with accounting policies stated in note 3. The recoverable amount of an asset is determined based on value-in-use method. This method uses estimated cash flow projections over the estimated useful life of the asset discounted using market rates.

5.2.2Impairment of trade and other receivables

An estimate of the allowance for expected credit loss is calculated in accordance with the accounting policy detailed in note 3.

5. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

5.2.3 Allowance for slow moving and obsolete inventories

Allowances for inventory are recorded where events or changes in circumstances indicate that the carrying cost of inventories will not be fully realized. The quantification of allowances for inventories requires the use of estimates and judgements. Where the outcomes are different from the original estimates, such differences will impact the carrying value of inventories and allowance for inventory in the years in which such estimates have been changed.

5.2.4 Defined benefits obligation

Post-employment defined benefits, end-of-service benefits and indemnity payments represent obligations that will be settled in the future and require assumptions to project obligations and fair values of plan assets, if any. Management is required to make further assumptions regarding variables such as discount rates, rate of salary increase and return on assets, mortality rates, employment turnover and future healthcare costs. Periodically, management of the Company consults with external actuaries regarding these assumptions. Changes in key assumptions can have a significant impact on the projected benefit obligations and/or periodic employee defined benefit costs incurred.

The discount rate is set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant assumptions are required to be made when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded.

5.2.5Useful lives of property, plant and equipment and intangible assets

The Company estimates the useful lives of its property, plant and equipment at the end of each annual reporting period. These estimates are determined after considering the expected usage of the assets or depreciation arising from physical use. Management reviews the residual value and useful lives annually and future depreciation charges will be adjusted if management believes that the useful lives differ from previous estimates.

5.2.6 Determine the discount rate to calculate the present value

Discount rates represent the current market assessment of the risks involved in scheduling cash flows, taking into account the time value of money and the individual risks of the underlying assets that have not been included in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Company.

5. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

5.2.7 Revenue recognition

The Company uses the input method to recognise revenue on the basis of entity's efforts or inputs to the satisfaction of a performance obligation in accounting for its racking system installation contracts. This is done by measuring the costs incurred to date relative to the total expected costs to be incurred (forecast final costs). At each reporting date, the Company is required to estimate stage of completion and costs to complete on its racking system installation contracts. These estimates require the Company to make estimates of future costs to be incurred, based on work to be performed beyond the reporting date.

Effects of any revision to these estimates are reflected in the year in which the estimates are revised. When it is probable that total contract costs will exceed total contract revenue, the total expected loss is recognised immediately, as soon as foreseen, whether or not work has commenced on these contracts. The Company uses its commercial teams together with project managers to estimate the costs to complete the contracts. Factors such as delays in expected completion date, changes in the scope of work, changes in material prices, increase in labour and other costs are included in the cost estimates based on best estimates updated on a regular basis.

5.2.8 Zakat provision

Management has evaluated the zakat position taking into consideration the local zakat legislations, the resolutions issued periodically and the agreements. The interpretation of legislative decrees and agreements is not always clear and requires completion of the assessment by the Zakat, Tax and Customs Authority (ZATCA).

5.2.9 Leases - estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available. The weighted average rate used is 5%.

(All amounts in Saudi Riyals unless otherwise stated)

6. PROPERTY, PLANT AND EQUIPMENT

2023	Buildings and fixtures *	Leasehold improvements	Machines and equipment	Vehicles	Tools	Furniture	Land	Capital projects in progress **	Total
Cost:									
Balance at the beginning of the year	5,645,427	536,584	7,892,492	2,185,121	1,285,353	1,799,028	29,250,189	7,528,564	56,122,758
Additions	47,932	-	550,491	-	55,525	500,160	-	11,955,151	13,109,259
Transferred from inventory	-	-	-	-	-	-	-	305,664	305,664
Transferred from projects in progress	6,825,479	50,492	7,144,114	-	70,379	801,344	-	(14,891,808)	-
Disposals	-	-	-	(754,833)	-	-	-	-	(754,833)
Balance at the end of year	12,518,838	587,076	15,587,097	1,430,288	1,411,257	3,100,532	29,250,189	4,897,571	68,782,848
Accumulated depreciation									
Balance at the beginning of the year	2,553,815	187,779	5,520,049	2,152,312	1,134,127	1,152,532	-	-	12,700,614
Depreciation for the year	518,309	39,452	615,823	32,784	69,361	238,226	-	-	1,513,955
Disposals	-	-	-	(754,826)	-	-		-	(754,826)
Balance at the end of year	3,072,124	227,231	6,135,872	1,430,270	1,203,488	1,390,758	-	-	13,459,743
Net book value as at:									
31 December 2023	9,446,714	359,845	9,451,225	18	207,769	1,709,774	29,250,189	4,897,571	55,323,105

(All amounts in Saudi Riyals unless otherwise stated)

6. PROPERTY, PLANT AND EQUIPMENT (continued)

2022	Buildings and fixtures *	Leasehold improvements	Machines and equipment	Vehicles	Tools	Furniture	Land	Capital projects in progress **	Total
Cost:									
Balance at the beginning of the year	5,423,188	431,880	7,546,564	2,551,069	1,267,046	1,374,355	-	4,576,959	23,171,061
Additions	197,260	104,704	345,928	-	17,737	420,067	29,243,232	2,969,041	33,297,969
Transferred from inventory	24,979	-	-	-	570	4,606	-	-	30,155
Transferred to land	-	-	-	-	-	-	6,957	(6,957)	-
Transferred to right of use assets	-	-	-	-	-	-	-	(10,479)	(10,479)
Disposals	-	-	-	(365,948)	-	-	-	-	(365,948)
Balance at the end of year	5,645,427	536,584	7,892,492	2,185,121	1,285,353	1,799,028	29,250,189	7,528,564	56,122,758
Accumulated depreciation									
Balance at the beginning of the year	2,136,091	161,822	4,951,158	2,454,957	1,067,133	1,015,898	-	-	11,787,059
Depreciation for the year	417,724	25,957	568,891	63,294	66,994	136,634	-	-	1,279,494
Disposals	-	-	-	(365,939)	-	-	-	-	(365,939)
Balance at the end of year	2,553,815	187,779	5,520,049	2,152,312	1,134,127	1,152,532	-	-	12,700,614
Net book value as at:									
31 December 2022	3,091,612	348,805	2,372,443	32,809	151,226	646,496	29,250,189	7,528,564	43,422,144

6.1 Allocation of depreciation expense is made as follows:

	2023	2022
Cost of revenue	**1,295,653**	1,059,154
Selling and marketing expenses (Note 26)	**138,362**	142,386
General and administrative expenses (Note 27)	**79,940**	71,584
Depreciation allocated to Project in progress (platform)	**-**	6,370
	1,513,955	1,279,494

* The Company's buildings and fixtures in Al Qassim region are built on plots of land leased by government agencies that will end in 1460H corresponding to 2038.

* During the year 2023, the company started the commercial operation of the wooden storage pallet factory in the second industrial zone in Riyadh of the Saudi Authority for Industrial Cities, after completing all the requirements and licenses necessary to start operation, and the company purchased the factory in October of the year 2021 and proceeded to rehabilitate it and import the necessary equipment from the best international and European companies.

(All amounts in Saudi Riyals unless otherwise stated)

7. INTANGIBLE ASSETS

2023	Computer software	Software under development		Total
		Internally generated	Externally generated	
Cost				
At the beginning of the year	625,000	1,367,029	57,375	2,049,404
Additions	-	339,425	1,264,500	1,603,925
Balance at the end of year	625,000	1,706,454	1,321,875	3,653,329
Accumulated amortization				
At the beginning of the year	203,125	-	-	203,125
Amortization during the year	62,500	-	-	62,500
Balance at the end of year	265,625	-	-	265,625
Net book value as at:				
31 December 2023	359,375	1,706,454	1,321,875	3,387,704

2022	Computer software	Software under development		Total
		Internally generated	Externally generated	
Cost				
At the beginning of the year	625,000	-	-	625,000
Additions	-	1,367,029	57,375	1,424,404
Balance at the end of year	625,000	1,367,029	57,375	2,049,404
Accumulated amortization				
At the beginning of the year	140,625	-	-	140,625
Amortization during the year	62,500	-	-	62,500
Balance at the end of year	203,125	-	-	203,125
Net book value as at:				
31 December 2022	421,875	1,367,029	57,375	1,846,279

Software under development internally, represents the development of logistics platform, and software being developed externally represents enhancement in the ERP system with additional modules. Capital commitment with vendor for the development of software is disclosed in note 32.

(All amounts in Saudi Riyals unless otherwise stated)

8. LEASES (Company as a lessee)

8.1 Right-of-use assets

The statement of financial position shows the following amounts related to right of use assets:

2023	Buildings	Machines	Vehicles	Total
Cost				
At the beginning of the year	32,147,870	2,281,071	1,332,300	35,761,241
Additions	24,470,323	-	4,698,000	29,168,323
At the end of the year	56,618,193	2,281,071	6,030,300	64,929,564
Accumulated depreciation				
At the beginning of the year	20,420,006	138,576	270,568	20,829,150
Deprecation	10,336,803	291,068	571,974	11,199,845
At the end of the year	30,756,809	429,644	842,542	32,028,995
Net carrying value as at:				
31 December 2023	25,861,384	1,851,427	5,187,758	32,900,569

2022	Buildings	Machines	Vehicles	Total
Cost				
At the beginning of the year	25,277,969	-	-	25,277,969
Additions	6,869,901	2,270,592	1,332,300	10,472,793
Transfer from building and machines	-	10,479	-	10,479
At the end of the year	32,147,870	2,281,071	1,332,300	35,761,241
Accumulated depreciation				
At the beginning of the year	11,240,079	-	-	11,240,079
Deprecation	9,179,927	138,576	270,568	9,589,071
At the end of the year	20,420,006	138,576	270,568	20,829,150
Net carrying value as at:				
31 December 2022	11,727,864	2,142,495	1,061,732	14,932,091

8.1.1 Allocation of depreciation expense is made as follows:

	2023	2022
Cost of revenue (Note 25)	10,375,389	9,082,189
Selling and marketing expenses (Note 26)	468,930	200,435
General and administrative expenses (Note 27)	355,526	306,447
	11,199,845	9,589,071

8.2 Lease liabilities

The statement of financial position shows the following amounts related to leases liabilities:

2023	Buildings	Machines	Vehicles	Total
At the beginning of the year	13,961,116	1,281,317	1,237,914	16,480,347
Additions	26,024,589	-	4,586,601	30,611,190
Finance cost (note 29)	946,958	100,010	322,940	1,369,908
Insurance	-	10,839	157,099	167,938
Payments	(14,108,501)	(567,022)	(1,478,802)	(16,154,325)
Balance at the end of the year	26,824,162	825,144	4,825,752	32,475,058

(All amounts in Saudi Riyals unless otherwise stated)

8. LEASES (Company as a lessee)

8.2 Lease liabilities (continued)

2022	Buildings	Machines	Vehicles	Total
Balance at the beginning of the year	20,156,783	-	-	20,156,783
Additions	6,869,901	1,458,004	1,602,774	9,930,679
Finance cost (note 29)	798,856	53,745	110,492	963,093
Insurance	-	5,828	66,733	72,561
Payments	(13,864,424)	(236,260)	(542,085)	(14,642,769)
Balance at the end of the year	13,961,116	1,281,317	1,237,914	16,480,347

	31 December 2023	31 December 2022
Analyses between:		
Current liabilities	13,199,825	10,782,766
Non-current liabilities	19,275,233	5,697,581
	32,475,058	16,480,347
Maturity analysis		
Not later than one year	15,370,045	11,341,150
Later than one year and not later than 5 years	20,064,602	5,478,486
Later than 5 years	602,111	655,702
	36,036,758	17,475,338
Less: effect of discounting	(3,561,700)	(994,991)
	32,475,058	16,480,347

* The United Gulf Al-Murabitoun Company's lease contract for renting the refrigerator was renewed for three years, starting from September 2023 to the end of August 2026, resulting in the addition of an amount of 24,470,323 Saudi Riyals to the right to use assets and lease obligations.

-A warehouse was rented in North Industrial Estate in Riyadh for a period of 3 years, starting from 1-1-2023 to 12-31-2025, and it was re-rented to another company for a period of 3 years with the same rental period as the original contract (lease contract), and an amount of 1,554,266 Saudi riyals was added to the obligations of the original contract. (Leasing contract) and making a set-off between the right to use the original contract (lease contract) and the value of the sub-contract (lease contract) and recording it within the net investment of the financial leasing contract.

8.3 Recognized amounts in the statements of profit or loss and other comprehensive income

Statement of profit or loss and other comprehensive income shows the following amounts related to leases;

	31 December 2023	31 December 2022
Finance cost of lease liabilities (note 29)	1,369,908	963,093
Depreciation expense (note 8.1.1)	11,199,845	9,589,071
Short term and low value operating leases expense	474,759	387,697
Finance income from investment in finance lease	409,566	197,617
Finance lease income	860,603	-

The Company has short term and low value operating leases commitments amounting to **307,378** Saudi Riyals (2022: 692,669 Saudi Riyals)

(All amounts in Saudi Riyals unless otherwise stated)

8.4 Extension and termination options

Extension and termination options are included in a number of properties, plant and equipment leases. These terms are used to increase the operational flexibility of contract management. The majority of extension and termination options can be used only by the Company and not the lessor.

The Company does not face a significant liquidity risk with regard to its lease liabilities, which are monitored to determine that these are settled in accordance with the relevant lease agreements.

9. NET INVESTMENT IN FINANCE LEASE

	31 December 2023	31 December 2022
Net book value at the beginning of the year	6,530,710	11,190,861
Additions during the year	2,414,869	-
Lease payments received	(4,716,635)	(2,024,070)
Transferred to trade, other receivables and prepayments	(1,032,460)	(2,833,698)
Finance income (note 29)	409,566	197,617
Present value of lease payments receivable	3,606,050	6,530,710
Less: Allowance for impairment	(266,171)	(266,171)
Net investment in finance lease	3,339,879	6,264,539
Analyses between:		
Current portion	2,855,876	4,477,721
Non-current portion	484,003	1,786,818
	3,339,879	6,264,539
Fair value of the net investment in a contract at the date of sub-lease	2,414,869	-
The fair value of the lease on the date of right-of-use asset	(1,554,266)	-
Sub-lease income	860,603	-

9.1 Movement in allowance for impairment is as follows

	31 December 2023	31 December 2022
Balance at the beginning of the year	266,171	1,209,587
Reversed allowance for impairment	-	(943,416)
Balance at the end of the year	266,171	266,171

9.2 Future lease payments contractual cash flows

2023	**Gross investment (undiscounted)**	**Unearned finance cost**	**Net investment (discounted)**
Year 1	3,185,275	329,399	2,855,876
Year 2	891,328	141,154	750,174
	4,076,603	470,553	3,606,050

(All amounts in Saudi Riyals unless otherwise stated)

9. NET INVESTMENT IN FINANCE LEASE (continued)

2022	Gross investment (undiscounted)	Unearned finance cost	Net investment (discounted)
Year 1	4,857,768	380,047	4,477,721
Year 2	2,293,946	240,957	2,052,989
	7,151,714	621,004	6,530,710

9.3 Main contract:
The Company (the lessee) leased a warehouse from the lessor at a value of 1,666,980 Saudi riyals for a period of three years, starting from 01 January 2023 to 31 December 2025, provided that the warehouse is returned at the end of the lease period. The lessee has the right to rent the rental unit to others.

9.4 Sub-lease contract:
On 01 January 2023, the Company (as a lessor) leased the warehouse to the lessee for a value of 2,673,986 Saudi riyals for a period of three years period ended on 31 December 2025, provided that the warehouse is returned at the end of the period to the lessor. The lessee has the right to lease the rental unit to others, provided that it is one of the companies owned by the lessee.

The company recognized an amount of 860,603 Saudi riyals, which is the difference in the fair value of the investment in a finance lease contract (2,414,869 Saudi riyals) and the present value of the lease obligation (1,554,266 Saudi riyals) as finance lease income in the statement of profit or loss and other comprehensive income.

The Company’s finance lease arrangements do not include variable payments.

The directors of the Company estimate the loss allowance on finance lease receivables at the end of the reporting period at an amount equal to lifetime ECL. None of the finance lease receivables at the end of the reporting period is past due. Taking into account the historical default experience and the future prospects of the industries in which the lessees operate, the directors of the Company consider that finance lease receivable is not impaired (2022: Nil). There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for finance lease receivables.

10. OTHER FINANCIAL ASSETS - INVESTMENTS

	31 December 2023	31 December 2022 (Restated) (Note 35)
Financial assets measured at amortized cost		
Murabaha	**34,000,000**	55,000,000
	34,000,000	55,000,000
Analyzed between:		
Current assets	**34,000,000**	55,000,000
Non-current assets	**-**	-
	34,000,000	55,000,000

Company invested the amount in Murabaha in 2022 and 2023. The investments in Murabaha bears profit at a rate of 5.5 to 6.05 % per annum and has maturity dates ranging between 91 to 180 days.

The investment in Murabaha is held by the Company within a business model whose objective is to collect their contractual cash flows, which are solely payments of principal and interest on the principal amount outstanding. Hence, these financial assets are classified as at amortized cost. The gain recognized during the year is amounted to 2,757,884 Saudi Riyals (2022: 319,652).

(All amounts in Saudi Riyals unless otherwise stated)

11. INVENTORY, NET

	31 December 2023	31 December 2022
Raw material	34,357,839	19,202,017
Finished goods	7,121,440	7,875,193
Spare parts and supplies	1,294,342	1,304,767
Work in progress	216,377	744,743
Goods in transit	3,242,099	12,459,467
	46,232,097	41,586,187
Less: provision for obsolescence of inventory	(4,162,903)	(1,162,831)
	42,069,194	40,423,356

11.1 Movement in provision is as follows:

	31 December 2023	31 December 2022
Balance at the beginning of the year	1,162,831	674,845
Charge during the year	3,000,072	487,986
Balance at the end of the year	4,162,903	1,162,831

The cost of inventories recognized as an expense during the year in respect of continuing operations was **69,172,128** Saudi Riyals (2022: 79,192,621 Saudi Riyals).

12. CONTRACT ASSETS

	31 December 2023	31 December 2022
Project revenue (steel racking systems)	**1,970,909**	5,065,265

Amounts relating to contract assets are balances due from customers under projects for installation of racking systems that arise when the Company receives payments from customers in line with a series of performance related milestones. The Company initially recognizes a contract asset for any work performed. Any amount initially recognized as a contract asset is settled against contract liability for the same project at the completion of the project.

The directors of the Company always measure the loss allowance on amounts due from customers at an amount equal to lifetime expected credit loss (ECL), taking into account the historical default experience, the nature of the customer and where relevant, the sector in which they operate.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for the contract assets.

The following table details the risk profile of contract assets based on the Company's provision matrix. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Company's different customer base.

(All amounts in Saudi Riyals unless otherwise stated)

12. CONTRACT ASSETS (Continued)

	31 December 2023	31 December 2022
Expected credit loss rate	**2.05%**	2.26%
Estimated total gross carrying amount	**1,970,909**	5,065,265
Lifetime ECL	**(40,496)**	(114,224)
Net carrying amount	**1,930,413**	4,951,041

The following table shows the movement in lifetime ECL that has been recognized for contract assets in accordance with the simplified approach set out in IFRS 9.

	31 December 2023	31 December 2022
Opening balance	**114,224**	-
Net (decrease) / increase in provision during the year	**(73,728)**	114,224
Closing balance	**40,496**	114,224

13. TRADE, OTHER RECEIVABLES AND PREPAYMENTS

	31 December 2023	31 December 2022 **(Restated) (Note 35)**
Trade receivables – customers	43,911,777	55,261,236
Trade receivables – government	791,683	308,358
Allowance for expected credit losses	(3,608,800)	(3,574,620)
Net trade receivables	41,094,660	51,994,974
Advanced to suppliers	13,468,473	5,262,577
Employee's loan	209,212	656,278
VAT receivables	1,309,009	-
Accrued profit on Murabaha	622,703	300,694
Petty cash	285,339	191,195
Prepayments	514,525	194,276
Insurance	429,283	401,500
Prepaid subscription	671,978	239,127
Prepaid rent	70,956	98,058
Deposits for insurance letters of guarantee (note 32)	551,971	2,428,565
	59,228,109	61,767,244

The average credit period on sales of goods is 90 days. No interest is charged on outstanding trade receivables.

The Company always measures the loss allowance for trade receivables at an amount equal to lifetime ECL.

The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

(All amounts in Saudi Riyals unless otherwise stated)

13. TRADE, OTHER RECEIVABLES AND PREPAYMENTS (Continued)

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

The Government balances have not historically defaulted on any outstanding balances and any delays in payments are of an operational nature rather than associated to credit risk. However, no entity can have a credit risk of zero theoretically. Hence, an expected credit loss provision has been calculated. Management has used the 1year Credit Default Swap (CDS) spread on a Saudi Arabia bond to approximate the associated credit risk.

A trade receivable account with a balance of 23 million Saudi Riyals is secured by a Promissory note of 30 million Saudi Riyals from the customer. Furthermore, the outstanding balance due from the customer is secured against the inventory stored in the customer's warehouse which has a greater value (as per latest management stock count). Agreement signed with the customer enforces management's right in the event of default by the customer over the inventory purchased by the customer and right to conduct inventory count and valuation. There have not been any significant changes in the quality of the collateral held for these trade receivables. Consequently, management has decided to exclude the trade receivable from aforesaid customer in calculation of expected credit loss.

The following table details the risk profile of trade receivables based on the Company's provision matrix. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Company's different customer segments.

		Trade receivable – days past due				
31 December 2023	**Not past due**	**1-30**	**31-60**	**61-90**	**More than 90**	**Total**
Expected credit loss rate %	**2%**	**5%**	**14%**	**2%**	**11%**	**8%**
Gross carrying amount	**7,996,744**	**3,407,531**	**1,174,356**	**3,998,297**	**28,126,532**	**44,703,460**
Lifetime ECL	164,000	179,334	168,597	62,587	3,034,282	3,608,800

		Trade receivable – days past due				
31 December 2022	**Not past due**	**1-30**	**31-60**	**61-90**	**More than 90**	**Total**
Expected credit loss rate %	1%	3%	2%	7%	46%	7%
Gross carrying amount	29,060,290	8,905,968	9,653,474	1,793,479	6,156,383	55,569,594
Lifetime ECL	**147,271**	**249,933**	**228,940**	**123,970**	**2,824,506**	**3,574,620**

(All amounts in Saudi Riyals unless otherwise stated)

13. TRADE, OTHER RECEIVABLES AND PREPAYMENTS (continued)

The following table shows the movement in lifetime ECL that has been recognized for trade and other receivables in accordance with the simplified approach set out in IFRS 9.

	Lifetime ECL - not credit impaired			
	Collectively assessed	**Individually assessed**	**Lifetime ECL – credit impaired**	**Total**
Balance on 31 December 2022	**-**	**3,574,620**	**-**	**3,574,620**
Provision formed during the year	**-**	**322,603**	**-**	**322,603**
Write off	**-**	**(288,423)**	**-**	**(288,423)**
Balance on 31 December 2023	**-**	**3,608,800**	**-**	**3,608,800**
Balance on 31 December 2021		2,092,907		2,092,907
Net remeasurement of loss Allowance charged	-	1,481,713	-	1,481,713
Balance on 31 December 2022	-	3,574,620	-	3,574,620

14. CASH AND CASH EQUIVALENTS

	31 December 2023	31 December 2022 Restated (Note 35)
Banks – current accounts	7,734,088	3,641,209
Cash on hand	7,943	71,989
	7,742,031	3,713,198

15. SHARE CAPITAL

The company's capital on 31 December 2023 amounted to 175,000,000 Saudi Riyals (2022: 175,000,000 SAR) consisting of 175,000,000 shares (2022: 17,500,000 shares).

On 14/06/2023, the Extraordinary General Assembly approved the split of one share into ten shares of equal value, bringing the number of shares to 175,000,000 shares with a nominal share value of 1 Saudi riyal As in December 2023, the statutory procedures were completed and the by-law were amended during the year.

16. STATUTORY RESERVE

According to the company's articles of association and amended in accordance with the regulations and laws issued, the general assembly of shareholders may decide to form reserves to the extent that achieves the interest of the company or ensures the distribution of fixed profits as much as possible to shareholders and the general assembly determines the percentage that must be distributed to shareholders from the net profits after deducting reserves, if any. No transfer to statutory reserve was made in 2023.

(All amounts in Saudi Riyals unless otherwise stated)

17. EMPLOYEES' POST-EMPLOYMENT BENEFITS

The law provides for post-employment benefits for all employees who complete a qualifying period of service and are entitled to receive amounts mentioned under the labor law for each year of this service.

The annual provision is based on the actuarial valuation. The latest valuation was performed as of 31 December 2023 by an independent actuary, using the Projected Unit Credit Method.

17.1 Key actuarial assumptions

	31 December 2023	31 December 2022
Estimated rate of increase in employee salaries	5.00%	5.00%
Discount rate	4.55%	4.95%
Mortality rate (of WHO SA16)	75%	75%

17.2 The movement in the present value of defined benefit obligations

	31 December 2023	31 December 2022
Present value at the beginning of the year	3,709,914	3,231,550
Service cost	803,305	1,051,882
Benefit cost	183,511	75,888
Payments during the year	(1,109,640)	(71,539)
Actuarial losses / (gains)	255,656	(577,867)
Present value at the end of the year	3,842,746	3,709,914

17.3 Maturity analysis

	31 December 2023	31 December 2022
Less than one year	461,145	421,460
1 – 5 years	1,441,418	1,302,425
More than 5 years	1,940,183	1,986,029
	3,842,746	3,709,914

17.4 Sensitivity analysis

The sensitivity of the defined benefit obligation to change in the weighted average of key assumptions is:

Assumptions	**Change in assumption**	**31 December 2023**	31 December 2022
Discount rate	1+%	3,914,145	3,442,897
	1-%	4,577,327	4,012,246
Long-term salary	1+%	4,572,189	4,009,059
	1-%	3,912,602	3,440,604
Mortality rate	10% higher	4,220,270	3,706,753
	10% lower	4,229,265	3,713,101
Employee turnover rate	10% higher	4,182,103	3,675,942
	10% lower	4,270,412	3,746,031

(All amounts in Saudi Riyals unless otherwise stated)

18. BORROWINGS

	31 December 2023	31 December 2022
Working capital Loans	**1,931,103**	1,323,622
Analyzed between:		
-non-current portion	-	257,806
-current portion	1,931,103	1,065,816
	1,931,103	1,323,622

The Company has financing facility agreement with:
18.1- Al-Inma Bank which is compliant with Islamic Sharia for a Small & Medium Enterprises (SME) loan guarantee program, consisting of loans, Murabaha, credit facilities, documentary credits and Murabaha and forward selling for fixed-term period with maximum of 10 million Saudi Riyals. The facility is for the purpose of financing the Company's working capital requirements as well as financing raw materials and equipment related to the Company's activities and its projects. These facilities are charged with financing expenses in accordance with the relevant agreement at an interest rate fixed annually. The balance due on 31 December 2023 amounted to (261,419) Saudi riyals (2022: 618,505 Saudi riyals). The amount is repayable on quarterly basis and final repayment is due in 1 August 2024.

Under this agreement, the Company provided guarantees to cover the entire value of the financing, represented in promissory notes amounting to 10 million Saudi riyals, in addition to another guarantee with a value of 9.5 million Saudi riyals.

18.2- Arab Bank, which is compliant with Islamic Sharia for a fixed term with a maximum of 5 million Saudi riyals for the purpose of financing the Company's working capital requirements as well as financing raw materials and equipment related to the Company's activities and its projects. These facilities are charged with financing costs in accordance with the relevant agreement at an annually fixed interest rate. The facility agreement was renewed in 2022 to October 2023. The balance due on 31 December 2023 amounted to (1,669,684) Saudi riyals (2022: 705,117 Saudi riyals). The amount is due for repayment in full on 18 March 2024.

The movement of borrowings during the year has been as follows:

	31 December 2023	31 December 2022
Balance at the beginning of the year	1,323,622	14,205,068
Additions during the year	4,603,945	718,136
Finance cost (note 29)	111,948	279,334
Paid during the year	(4,108,412)	(13,878,916)
Balance at the end of the year	1,931,103	1,323,622

(All amounts in Saudi Riyals unless otherwise stated)

19. CONTRACT LIABILITIES

	31 December 2023	31 December 2022
Deferred revenue related to projects	5,048,326	3,481,973
Advances from customers	2,073,382	3,735,280
	7,121,708	7,217,253

Contract liabilities include advances against contracts with customers, advances received to provide services and transaction price allocated to unsatisfied performance obligations.
Contract liabilities relating to contracts with customers are balances due to customers in accordance with terms of contracts. These arise if a particular milestone payment exceeds the revenue recognised to date under the cost-to-cost method.
Revenue relating to services is recognised over time although the customer makes advance payments for these services. A contract liability is recognised for revenue relating to the services at the time of the initial sales transaction and is released over the service period.

The following table shows how much of the revenue recognised in the current reporting period relates to brought-forward contract liabilities.

	31 December 2023	31 December 2022
Deferred revenue related to projects	3,481,973	2,216,762
Advances from customers	3,735,280	147,279
	7,217,253	2,364,041

20. TRADE AND OTHER PAYABLES

	31 December 2023	31 December 2022
Trade payables	14,369,373	16,216,504
Employee’s dues	1,293,252	1,471,654
Accrued expenses	2,278,465	1,218,835
Accrued commissions	389,642	928,258
Bank amounts under settlements	42,094	25,818
Notes payable	-	1,108,140
Accrued VAT	-	1,725,131
Provision for project losses	-	166,438
	18,372,826	22,860,778

No interest is charged on trade payables. The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. The fair value of trade and other payables approximates their carrying amount.

21. CREDITORS’ COMPENSATION AND SUBSCRIPTION TO PRIORITY RIGHTS SHARES

The results of issue and subscription of priority rights were the subscription of (14,827,529) shares out of a total number of (15,000,000) shares, with a value of 148,275,290 Saudi Riyals and the coverage ratio of the total new shares offered was 98.85%. The remaining shares that were not subscribed amounted to (172,471) shares were offered in the auction. The average selling price of the sold shares was 106.44 Saudi Riyals per share, and the total amount of the proceeds from the sale of unsubscribed shares was 18,357,455 Saudi Riyals. This resulted the net compensation amount belonging to the owners of priority rights to 16,632,745 Saudi Riyals. Shares were distributed on 6 January 2022. No Compensation of underwriting creditors in 2023.

(All amounts in Saudi Riyals unless otherwise stated)

22. RELATED PARTY INFORMATION

Transaction with related parties is in salaries, remuneration, allowances of members of the board of directors (BOD) and senior management that took place during the year between the Company and members of the board of directors, members of committees and senior management.

The most significant transactions with related parties are as follows:

	31 December 2023		31 December 2022	
	BOD members and committees	**Executive management**	BOD members and committees	Executive management
BOD members and committees' remuneration	805,000	-	805,000	-
BOD and committee's attendance allowance	106,500	-	162,000	-
Salaries and wages	-	1,797,835	-	1,342,590
Bonus	-	40,000	-	50,000
End of service	-	177,244	-	214,500
	911,500	2,015,079	967,000	1,607,090

The amount due to above related parties with respect to remuneration for BOD members and Committees amounted to 805,000 Saudi riyals (2022: 805,000 Saudi riyals).

23. ZAKAT PROVISION

23.1 *Zakat status:*

The Company submitted its returns to the Zakat, Tax and Customs Authority (the authority) until the year ended on 31 December 2022, and the Company obtained a certificate from the General Authority of Zakat and Tax, valid until 21 Shawwal 1445 AH corresponding to 30 April 2024.

The company received final zakat assessments for the years (2019, 2020) on 8 February 2022 corresponding to 7 Rajab 1443 AH. The assessment amounted to 37,114 Saudi riyals, and the amount was settled with the Authority during the year 2022.

(All amounts in Saudi Riyals unless otherwise stated)

23. ZAKAT PROVISION (continued)

23.2 *Zakat base:*

	31 December 2023	31 December 2022
Net (loss) / income adjusted	3,400,972	(891,803)
Add:		
Share capital	175,000,000	175,000,000
Statuary reserve	1,941,909	1,941,909
Retained earnings		6,671,025
Provisions	7,355,968	6,193,935
Others	34,548,440	20,473,434
Deduct:		
Property, plant and equipment, net	(91,611,379)	(61,987,332)
Others	(2,311,285)	(4,264,582)
Zakat base	128,324,625	143,136,586
Zakat 2.5% from zakat base	3,306,926	3,690,301

23.3 *Movement in zakat provision*

	31 December 2023	31 December 2022
Balance at the beginning of the year	3,691,348	861,212
Charged for the year	3,306,926	3,690,301
Zakat assessments (note 23-1)	-	37,114
Payment during the year	(3,356,240)	(897,279)
Balance at the end of the year	3,642,034	3,691,348

24. REVENUE

The Company derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the following major product lines. The disclosure of revenue by product line is consistent with the revenue information that is disclosed for each reportable segment under IFRS 8 Operating Segments in note 33.

Desegregation of revenue

	2023	2022
Sales of products		
- Steel products	906,966	1,143,599
- Wooden products	32,939,232	52,165,925
- Other products	2,870,207	2,476,887
Projects revenue		
- Steel (racking systems)	45,861,560	39,245,928
- Logistics services	19,171,156	15,274,900
- Other services	1,427,700	515,049
	103,176,821	110,822,288

(All amounts in Saudi Riyals unless otherwise stated)

24. REVENUE (continued)

Timing of revenue recognition

	2023	2022
At a point in time		
- Steel products	906,966	1,143,599
- Wooden products	32,939,232	52,165,925
- Other products	2,870,207	2,476,887
- Other services	1,427,700	515,049
	38,144,105	56,301,460

	2023	2022
Over time		
- Steel (racking systems)	45,861,560	39,245,928
- Logistics services – 3PL contracts	19,171,156	15,274,900
Total	65,032,716	54,520,828
Total revenue	103,176,821	110,822,288

Other products comprise forklifts, refrigeration systems and other equipment related to warehouse solutions. Other services comprise installation of above equipment (if required), removal and installation of warehouse equipment at customers warehouses and epoxy coating of warehouse floors.

The following table shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at the end of the reporting period.

	2023	2022
- Steel (racking systems)	18,464,168	14,143,079
- Logistics services – 3PL contracts	47,346,800	7,161,700
	65,810,968	21,304,779

Management expects that 100% of the entire transaction price allocated to the unsatisfied contracts as at 31 December 2023 will be recognized as revenue during the next reporting period.

25. COST OF REVENUE

	2023	2022
Raw materials and manufactured	57,364,489	69,484,080
Depreciation of right-of-use assets (note 8.1.1)	10,375,389	9,082,189
Industrial expenses	7,869,714	6,621,167
Wages	6,532,530	7,336,302
Provision for project losses	-	166,438
Other material	3,878,822	2,621,020
	86,020,944	95,311,196

(All amounts in Saudi Riyals unless otherwise stated)

26. MARKETING AND SELLING EXPENSES

	2023	2022
Salaries, wages, and benefits	**5,845,870**	3,540,768
Transfer, export, and installations	**2,080,292**	2,642,331
Selling accessories	**795,422**	613,275
Selling and marketing commissions	**699,894**	1,767,795
Deprecation of right of use assets (note 8.1.1)	**468,930**	200,435
Short term operating leases	**394,542**	350,956
Other expenses	**322,432**	161,673
Maintenance and cleaning	**207,529**	108,391
Medical insurance and medicine	**143,811**	91,853
Depreciation (note 6)	**138,362**	142,386
Government fees	**94,765**	77,278
Electricity, water, communication	**81,534**	44,987
Advertising	**42,239**	110,994
	11,315,622	9,853,122

27. GENERAL AND ADMINISTRATIVE EXPENSES

	2023	2022
Salaries, wages and other benefits	**5,257,925**	6,282,281
Profession and counseling fees	**1,035,324**	609,256
Government fees, subscriptions and Tadawul	**806,687**	732,603
Board of directors’ members and committees’ remuneration	**805,000**	805,000
Other expenses	**569,919**	378,957
Deprecation of right of use assets (note 8.1.1)	**355,526**	306,447
Transportation and transfer and missions	**238,355**	65,796
Depreciation and amortization (note 6,7)	**142,440**	134,084
Medical insurance and medicine	**126,035**	95,919
Materials, supplies and stationery	**104,710**	18,897
Short term operating leases	**68,291**	36,741
Electricity, water and communication	**62,285**	79,229
Maintenance and cleaning	**36,936**	28,269
Labor government fees	**26,918**	17,149
Zakat assessments (note 23)	**-**	37,114
	9,636,351	9,627,742

28. OTHER REVENUE, NET

	2023	2022
Gain on disposal of fixed assets	**282,602**	84,775
Revenues Compensation Human Resources and Insurance	**277,653**	204,468
Gain (loss) from changing the exchange rate	**-**	(25,712)
	560,255	263,531

(All amounts in Saudi Riyals unless otherwise stated)

29. FINANCE COST'NET

	2023	2022
Finance cost - lease liabilities (note 8-2)	**1,369,908**	963,093
Finance cost of borrowings (note 18)	**111,948**	150,032
Finance income on net investment in finance lease (note 9)	**(409,566)**	(197,617)
	1,072,290	915,508

30. EARNINGS PER SHARE (EPS)

The basic and diluted earnings per share is calculated from profit / loss for the year attributed to Company's shareholders divided by weighted average on outstanding ordinary shares at the end of the year.

	For the year ended 31 December	
	2023	2022
Loss for the year	**(4,245,445)**	(7,215,933)
Weighted average number of shares outstanding	**175,000,000**	175,000,000
	(0.024)	(0.041)

The weighted average number of shares for the year ended 31 December 2022 has been revised to 175,000,000 shares instead of 17,500,000 shares as the increase is due to the split of one share into ten shares of equal value (note 15).

31. DIVIDENDS

No dividends were distributed to shareholders during the two years ended 31 December 2023 and 2022.

32. CAPITAL COMMITMENTS AND CONTIGENT LIABILITIES

The Company has capital commitments for the purchase of machinery and equipment with external companies amounting to 333,000 euros - 11,300 dollars equivalent to 1,397,789 SAR, 44,000 euro have been paid equivalent to 180,708 Saudi riyals, the remaining amount of 288,600 euros equivalent to 1,174,602 Saudi riyals and the amount of 11,300 dollars equivalent to 42,479 Saudi riyals are expected to be paid during the year 2024.

The Company also has a capital commitment to purchase machinery, equipment and works related to the Sadr Park project with local companies, estimated at 54,446,000 Saudi riyals, of which amount of 10,047,000 Saudi riyals were paid, with the remaining amount to be paid during the years 2024-2025

The Company has capital commitment for intangible assets to develop the enterprise resource planning system from local companies estimated at SAR 2,672,251, SAR 1,055,812 has been paid and the rest will be paid during 2024

(Capital commitments in 2022 amount to 10,555,208 riyals, paid 2,237,129 riyals)

Company has issued letters of guarantee as on 31 December 2023 which are 100% covered in cash of 551,971 Saudi Riyals (2022: issued against a 100% cash cover of 2,428,565 Saudi Riyals), as stated in Trade, other receivables and prepayments (note 13).

The Company has no contingent liabilities as on 31 December 2022 and 2023.

(All amounts in Saudi Riyals unless otherwise stated)

33. SEGMENT INFORMATION

Information reported to the Company's Chief operating decision-maker for the purposes of resource allocation and assessment of segment performance is focused on the Company's categories of activities (products, or services offered to customers). The Company's activity is represented into the main segments as follows:

Steel: Company is engaged in sale of steel products (i.e., pallets) and delivery and installation steel racking systems at customers warehouses. For financial statements presentation purposes, these individual operating segments have been aggregated into a single operating segment because the nature of the products and production processes are similar.

Wood: Wood segment represents sale of wooden pallets, boxes and raw material.

Logistics services: Logistics services represent providing storage services, transportation for others, as the company engaged in long -term contract with customers.

All others: The "all other activities" segment represents sale of plastics products, forklifts and refrigerating systems and rendering of other services i.e., removal and re-installation, epoxy flooring etc.
Items of revenue, cost of revenue and long-term assets have been distributed among these segments and the rest of items are difficult to distribute among segments.

31 December 2023	Steel	Wood	Logistic services	All others	Total
Total assets	68,738,995	29,927,032	139,416,912	1,838,065	239,921,004
Total liabilities	21,191,170	15,175,027	30,310,709	1,513,569	68,190,475
Revenue (note 24)	46,768,526	32,939,232	19,171,156	4,297,907	103,176,821
Financial lease revenues (note 9)	-	-	860,603	-	860,603
Cost of revenue	(34,118,834)	(32,652,940)	(16,210,771)	(3,038,399)	(86,020,944)
Gross profit	12,649,692	286,292	3,820,988	1,259,508	18,016,480
Net profit / (Loss)	(448,476)	(3,530,189)	(1,396,545)	1,129,765	(4,245,445)

31 December 2022	Steel	Wood	Logistics services	All others	Total
Total assets	54,983,930	26,905,039	149,193,762	1,237,161	232,319,892
Total liabilities	17,430,234	12,481,815	24,931,268	1,244,945	56,088,262
Revenue (note 24)	40,389,527	52,165,925	15,274,900	2,991,936	110,822,288
Cost of revenue	(31,177,449)	(46,506,072)	(15,150,254)	(2,477,421)	(95,311,196)
Gross profit	9,212,078	5,659,853	124,646	514,515	15,511,092
Net profit	(5,541,465)	784,888	(2,707,085)	247,729	(7,215,933)

The accounting policies of the reportable segments are the same as the Company's accounting policies described in note 3. Segment profit represents the profit earned by each segment with allocation of central administration costs including directors' salaries, finance income, non-operating gains and losses in respect of financial instruments and finance costs, and Zakat. This is the measure reported to the Company's Chief operating decision-maker for the purpose of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments the Company's Chief operating decision-maker monitors the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments without any exception. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

Included in revenues arising from wood segment are revenues of approximately 18.4 million Saudi Riyals (2022: 34.9 million Saudi Riyals) which arose from sales to the Company's largest customer. No other single customers contributed 10 per cent or more to the Company's revenue in either 2023 or 2022.

The Company's assets and the principal markets of its operations are located in the Kingdom of Saudi Arabia, therefore the geographical information has not been presented in these financial statements.

(All amounts in Saudi Riyals unless otherwise stated)

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

34.1 Capital management

The Company manages its capital to ensure it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the equity balance. The Company's overall strategy remains unchanged from the previous year.

The capital structure of the Company consists of debt and equity comprising share capital, actuary reserve, retained earnings and long-term loans.

Categories of financial instruments

	31 December 2023	31 December 2022
Financial assets		
Amortized cost		
Cash and cash equivalents	**7,742,031**	3,713,198
Trade, other receivables and prepayments	**45,326,163**	55,870,288
Net investment in finance lease	**3,606,050**	6,530,710
Other financial assets- Investments	**34,000,000**	55,000,000
Contract assets	**1,970,909**	5,065,265
Financial liabilities		
Amortized cost		
Trade and other payables	**18,372,826**	22,860,778
Lease liabilities	**32,475,058**	16,480,347
Due to related parties	**805,000**	805,000
Contract liabilities	**7,121,708**	7,217,253
Borrowings	**1,931,103**	1,323,622

The Company's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The Company monitors its capital base using the debt-to-equity ratio.

The following is the net debt to equity ratio of the Company at the end of the year:

	31 December 2023	31 December 2022
Borrowings	**1,931,103**	1,323,622
Total equity attributed to company shareholders	**171,760,529**	176,231,630
Net debt rate to equity	**1.12%**	0.75%

The main financial risks arising from the Company's financial instruments are market risk, credit risk, liquidity risk, currency risk and concentration risk. Management reviews and conforms to policies to manage these risks.

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

34.2 Market risk

It is the risk of fluctuation in a financial instrument due to changes in prices prevailing in the market, such as foreign exchange rates and interest rates, which affects the Company's income or the value of its financial instruments. Market risk management aims to manage and control exposure to market risk within acceptable limits while maximizing returns. There has been no change in the Company's exposure to market risks or the way in which these risks are managed and how they are measured.

34.3 Interest rate risk

Interest rate risk is the exposure to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial position and cash flows. The Company is exposed to interest rate risk on its interest-bearing assets and liabilities, which mainly consist of bank facilities and borrowings. Management limits interest rate risk by monitoring changes in interest rates.

Management monitors changes in interest rates and believes that the cash flow and interest rate risks to the Company are not significant.

Company receivables and payables carried at amortized cost are not subject to interest rate risk as defined in IFRS 7 as the carrying amount or future cash flows do not change due to changes in market interest rates. Accordingly, the Company is not exposed to fair value interest rate risk.

The Company is not exposed to interest rate risk because the Company borrow funds at fixed interest rates.

	31 December 2023	31 December 2022
Fixed interest rate borrowings	1,931,103	1,323,622

All existing credit facility agreements are concluded with local banks and are compatible with the provisions of Islamic Sharia.
The Company is not exposed to interest rate risk due to fixed rate nature of debt instruments and hence the sensitivity analysis of interest rate risk has not been presented in the financial statements.

34.4 Foreign currency risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates, foreign currency risk arises when future commercial transactions, assets and liabilities are denominated in a currency other than in the Saudi Riyals (SR). The Company's management believes that it is not exposed to foreign currency risk since all of the Company's transactions are in Saudi Riyals. Management monitors the risks of fluctuations in exchange rates closely and on an ongoing basis, and based on its experience and market reactions, management does not believe that it is necessary to hedge against foreign exchange risks as most of the foreign exchange risks are relatively limited in the medium term.
The Company's transactions are mainly conducted in Saudi riyals, US dollars and Euros.
The carrying amounts of the Company’s foreign currency denominated monetary liabilities at the reporting date are as follows:

	31 December 2023	31 December 2022
Euros	2,152,135	2,818,700

34.5 Foreign currency sensitivity analysis

The Company is mainly exposed to the currency of Euros and the currency of USD.
The following table details the Company’s sensitivity to a five per cent increase and decrease in currency units against the relevant foreign currencies. Five per cent is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management’s assessment of the reasonably possible change in foreign exchange rates.

(All amounts in Saudi Riyals unless otherwise stated)

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

34.5 Foreign currency sensitivity analysis (continued)

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a five per cent change in foreign currency rates.

	31 December 2023	31 December 2022
Profit or loss	**445,621**	551,146

34.6 Credit risk

It is the risk that one party will not be able to fulfill its obligations, causing financial losses to the other party. The Company does not have a significant concentration of credit risk. Cash and cash equivalents are deposited with local banks with high credit ratings. Accounts receivable and other receivables are mainly due from customers in the local market and are stated at their estimated collectible value. The Company has policies in place to reduce its exposure to credit risk. The carrying amounts of the financial assets represent the maximum credit risk. The following is the credit rating of the banks that the company deals with and their balances as on 31 December:

Credit rating	**31 December 2023**	31 December 2022
A1	**3,640,975**	2,236,179
A2	**4,093,113**	1,405,030
	7,734,088	3,641,209

As at 31 December 2022 and 2023, the Company's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the statement of financial position.

The Company's current credit risk grading framework comprises the following categories

Category	**Description**	**Basis for recognising expected credit losses**
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit-impaired
In default	Amount is >180 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired
Write-of	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery	Amount is written of

The tables below detail the credit quality of the Company's financial assets and contract assets as well as the Company's maximum exposure to credit risk by credit risk rating grades:

31 December 2023	**External credit rating**	**Internal credit rating**	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**
Trade receivables	N/A	(34.6.1)	44,703,460	(3,608,800)	41,094,660
Finance lease receivables	N/A	(34.6.1)	3,606,050	(266,171)	3,339,879
Contract assets	N/A	(34.6.1)	1,970,909	(40,496)	1,930,413

(All amounts in Saudi Riyals unless otherwise stated)

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

34.6 Credit risk (continued)

31 December 2022	External credit rating	Internal credit rating	Gross carrying amount	Loss allowance	Net carrying amount
Trade receivables	N/A	(34.6.1)	55,569,594	(3,574,620)	51,994,974
Finance lease receivables	N/A	(34.6.1)	6,530,710	(266,171)	6,264,539
Contract assets	N/A	(34.6.1)	5,065,265	(114,224)	4,951,041
			67,165,569	(3,955,015)	63,210,554

34.6.1 For trade receivables, finance lease receivables and contract assets, the Company has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Company determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Notes 13, 12 and 9 include further details on the loss allowance for these assets respectively.

34.7 Liquidity risk

It is the risk that the Company will encounter difficulties in obtaining the necessary financing to meet obligations associated with financial instruments. Liquidity risk may arise when the inability to sell a financial asset quickly at a value close to its fair value. Liquidity risk is managed through regular monitoring of the adequacy of liquidity available to meet the Company's financial obligations. The Company's approach to managing liquidity is to ensure that it has sufficient liquidity to meet its liabilities when due, under normal and established conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The following table summarizes the Company's financial liabilities in the related maturity Company’s based on the remaining period at the balance sheet date and up to the contractual maturity date. The amounts shown in the table are the contractual undiscounted cash flows.

31 December 2023	Carrying amount	Less than a year	1-5 years	More than 5 years
Lease liabilities	32,475,058	15,370,045	**20,064,602**	**602,111**
Borrowings	1,931,103	1,931,103	-	
Trade and other payables	25,494,534	25,494,534		
Due to related parties	805,000	805,000	-	-
Zakat Provision	**3,642,034**	**3,642,034**	-	-
	64,147,729	47,242,716	**20,064,602**	**602,111**

(All amounts in Saudi Riyals unless otherwise stated)

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

34.7 Liquidity risk (continued)

31 December 2022	**Carrying amount**	**Less than a year**	**1-5 years**	**More than 5 years**
Lease liabilities	16,480,347	11,341,150	5,478,486	655,702
Borrowings	1,323,622	1,065,816	257,806	
Trade and other payables	30,078,031	30,078,031	-	-
Due to related parties	805,000	805,000	-	-
Zakat provision	3,691,348	3,691,348	-	-
	52,378,348	46,981,345	**5,736,292**	**655,702**

35. Adjusting the comparative figures

Some comparative numbers for the financial year ending on 31 December 2022 have been restated to rectify the errors in prior year financial statements as follows:

	As previously reported	**Adjustments**	**Adjusted balance**
Statement of Financial Position			
Current Assets:			
Other financial assets – Investments*	25,000,000	30,000,000	**55,000,000**
Cash and cash equivalents	33,904,393	(30,191,195)	3,713,198
Trade and other receivables	61,576,049	191,195	61,767,244
Statement of Cash Flows			
Net cash (used in) generated from operating	(34,420,604)	(191,195)	(34,611,799)
Net cash generated/ (used in) investing activities	(6,635,128)	(30,000,000)	(36,635,128)

* Adjusting the balance of investments in Murabaha in the amount of 30 million Saudi riyals, as they are due more than three months from the date of purchase as of 31 December 2022.

There is no impact on the statement of profit or loss and other comprehensive income, and the statement of changes in equity.

36. SUBSEQUENT EVENTS

- In the opinion of management, there are no significant subsequent events after the year ending December 31, 2023 that could have a material impact on the financial position or financial performance for the period.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements for the year ending on 31 December 2023 were approved by the company's board of directors on 11 Ramadan 1445 H corresponding to 21 March 2024.