Al-Baha Investment and Development Company
A Saudi Joint Stock Company
Al Baha– Kingdom of Saudi Arabia

The Consolidated Financial Statements and Independent Auditor's Report For The Year Ended December 31, 2023

Al-Baha Investment and Development Company
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INDEX

Independent Auditor's Report

To the Shareholders of
Al-Baha Investment and Development Company
A Saudi joint stock company
Al Baha – Kingdom of Saudi Arabia

Opinion

We have audited the consolidated statement of financial position of **Al-Baha Investment and Development Company - A Saudi joint stock company (the "company") and its subsidiaries (the "Group")** as of December 31, 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and other explanatory notes for consolidated financial statements including material accounting policies information.
In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the consolidated financial position of the group as of December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as adopted in the Kingdom of Saudi Arabia and other pronouncements and standards endorsed by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of a Matter

We draw attention to note (13) to the accompanying consolidated financial statements, which describes the legal case on the assets exchange with Al - Sata'ah Modern General Contracting Company. The Company has created a provision for expected losses that resulted from assets exchange contract with Al- Sata'ah Modern General Contracting Company for an amount of SR 74,003,717, where the Group's management believes that the assets that are supposed to be received in the barter transaction have low values and there is a significant impairment on them as a result of their obsolescence, accordingly a provision has been recognized against them for the amount of the performance obligations that the company is obliged to transfer to the other party. In addition, the previously issued court judgment obligating Al-Baha Investment and Development Company to execute the terms of the contract with Al- Sata'ah Modern General Contracting Company was upheld. Our opinion is not qualified for this matter.

Key Audit Matter

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

The following is a description of each of the key audit matters and how our audit addressed these matters:

Carrying value of good will	How the matter was addressed in our audit
The carrying value of goodwill amounted approximately to SAR 22 million as of December 31, 2023 (2022: SAR 22 million), which arose as a result of acquisition of Ishraqa Regional Real Estate Development and Investment Company during the year 2017. The management performed the annual impairment test on the carrying value for the goodwill as of December 31, 2023, by using assistance of an external independent business valuer licensed from the Saudi Authority for Accredited Valuers (Taqeem) to determine the recoverable value of goodwill as of that date, and then determine whether there is an impairment in the carrying value of the goodwill or not through comparing the carrying value of the cash generating unit and its recoverable value. According to the external valuer's report, the recoverable value was determined using the cost method and the adjusted nets asset technique. The adjusted net asset value technique depended mainly on the fair value of the investment property owned by the subsidiary company. The fair value of this property was calculated through using assistance of two external real estate valuers licensed from the Saudi Authority for Accredited valuers (Taqeem), in addition, the property and equipment were ignored due to the fact that they are immaterial. We considered this item to be a key audit matter due to the materiality of its value to the consolidated statement of financial position and the importance of the estimates and judgments included in the goodwill valuation, which depended mainly on the valuation of the investment property. For detailed information, please refer to note (8) in the consolidated financial statements about the goodwill, note (3) for the accounting policies related to goodwill, and note (4) for significant accounting judgments and estimates.	We performed the following procedures in relation to the Group's assessment of goodwill impairment: – Evaluated the competency, independence and objectivity of the management's valuation expert. – Evaluated the appropriateness of the goodwill impairment model used by the Group by assessing the appropriateness of determining the recoverable value of goodwill based on the cost method and the adjusted net assets technique. – Engaged our business valuation expert to assess the reasonableness of the fair value calculation and assumptions used in the valuation. – Engaged our real estate valuation expert to verify the reasonableness of the fair value determined for the investment property owned by the subsidiary company which depended mainly on applying the adjusted net assets technique in calculating the fair value of the cash-generating unit, which included the following procedures: • Review of the methodology applied by valuers to ensure that the valuation method and technique is appropriate to determine the fair value of investment properties. • Review the reasonableness of key assumptions used by management. – Reviewed the adequacy of presentation, disclosures, and the appropriateness of accounting policies and disclosure of goodwill.

Impairment of investment properties

The group owns investment properties consisting of lands and building built on it, which is held to earn rental income. The investment properties amounted approximately to SAR 226 million as of December 31, 2023 (2022: SAR 223 million) and represent material balances in the consolidated statement of financial position as of that date.

We considered this item to be a key audit matter due to its materiality to the consolidated statement of financial position and the significant of the estimates, assumptions and judgments included in the valuation.

The investment properties were recognized in the consolidated statement of financial position at carrying value, which represents the cost minus accumulated depreciation and accumulated impairment losses. The carrying value is reviewed annually by the group's management to assess if there an impairment indications through comparing the carrying value with the recoverable value.

The group has engaged external valuers licensed by the Saudi Authority for Accredited Valuers (Taqeem) who is conducting the valuation in accordance with International Valuation Standards to assist management in determining the recoverable value. The valuation involves the application of recognized methods and techniques that rely on significant judgments and estimates such as the reasonableness of the comparisons used, discount rate, and valuation inputs in general.

The objective of valuating the investment properties is to determine the recoverable value and the impairment (if any), and disclosure of the fair value in the group's consolidated financial statements. This matter is considered subjective in nature due to, among other factors, the individual nature of each property, location of the property, and the most appropriate valuation method for each of them.

For detailed information, please refer to note (11) in the consolidated financial statements about the investment properties, note (3) for the accounting policies related to investment properties, and note (4) for significant accounting judgments and estimates.

How the matter was addressed in our audit

We performed the following procedures in relation to the Group's impairment assessment of investment properties:

- Evaluated the competency, independence and objectivity of the management's valuation experts.
- Engaged our real estate valuation expert as the following procedures were performed:
  - Review of the methodology applied by the group's valuers to ensure the conducted valuation method and technique is appropriate for determining the fair value of investment properties.
  - Review the reasonableness of key assumptions used by management.
- Verified the valuation inputs used by valuers and compared them with accounting books.
- Compared the fair value based on real estate valuers' reports with the carrying value of investment properties to determine whether or not there is an impairment, or whether the accumulated impairment is subject to reversal.
- Reviewed the adequacy of presentation, disclosures, and the appropriateness of accounting policies and disclosure of investment properties.

Other matter

The financial statements of Al-Baha Investment and Development Company for the year ended December 31, 2022 were audited by another auditor who expressed an unqualified opinion with emphasis of matter paragraph about potential claims provision on Ramadan 9, 1444 corresponding to March 31, 2023.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's annual report for 2023 but does not include the consolidated financial statements and the independent auditor's report thereon. We expect to be provided with the annual report after the date of this auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

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

When we read the Group's annual report for 2023, if we discover a material misstatement, we are required to communicate the matters to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances; but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Talal Abu-Ghazaleh & Co.

Waleed Ahmed Bamarouf
Certified Public Accountant - License No. 408
Ramadan 17 1445 corresponding to March 27, 2024

Al-Baha Investment and Development Company
A Saudi Joint Stock Company
Al Baha– Kingdom of Saudi Arabia

Consolidated statement of financial position as of December 31, 2023

ASSETS	Note	December 31, 2023	December 31, 2022 (Restated)	January 1, 2022 (Restated)
Current Assets		(SR)	(SR)	(SR)
Cash and cash equivalents		7,229,551	50,950,741	981,981
Trade receivables - net	5	3,213,649	3,911,320	1,419,996
Other debit balances - net	6	71,178	2,524,097	1,508,218
Due from related parties	7	141,914	-	-
Total Current Assets		**10,656,292**	**57,386,158**	**3,910,195**
Non - Current Assets				
Goodwill- net	8	22,159,064	22,159,064	23,110,413
Intangible assets - net	9	1,305	12,463	24,183
Right of use assets - net	10	10,371,228	12,076,088	49,338,057
Investment properties- net	11	225,690,381	222,673,156	129,620,000
Property and equipment- net	12	465,346	203,601	296,074
Total Non Current Assets		**258,687,324**	**257,124,372**	**202,388,727**
Non-current assets held for sale- net	13 & 28	-	-	-
Total Assets		**269,343,616**	**314,510,530**	**206,298,922**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities				
Accounts payable		937,461	937,461	1,043,434
Other credit balances	14	5,409,335	6,462,872	6,071,090
Auction shares deposits under settlement	15	11,234,796	11,283,284	10,672,455
Due to related party	7	-	-	650,000
Lease liability - current portion	10	1,921,665	2,598,039	8,474,409
Loan	16	-	50,000,000	-
Provision for potential claims	13 & 28	-	-	3,000,000
Zakat provision	17	5,825,132	2,832,558	16,271,195
Total Current Liabilities		**25,328,389**	**74,114,214**	**46,182,583**
Non-Current Liabilities				
Lease liability - non current portion	10	9,406,324	10,797,319	42,487,728
Employees' defined benefit obligation	18	330,984	262,858	197,602
Total Non-Current Liabilities		**9,737,308**	**11,060,177**	**42,685,330**
Total Liabilities		**35,065,697**	**85,174,391**	**88,867,913**
Equity				
Shareholders' Equity				
Capital	19	297,000,000	297,000,000	177,000,000
Accumulated losses	1	(82,123,073)	(85,619,149)	(77,644,049)
Net shareholders' Equity		**214,876,927**	**211,380,851**	**99,355,951**
Non - Controlling interests		19,400,992	17,955,288	18,075,058
Total Equity		**234,277,919**	**229,336,139**	**117,431,009**
TOTAL LIABILITIES AND EQUITY		**269,343,616**	**314,510,530**	**206,298,922**

The accompanying notes from (1) to (32) constitute an integral part of these consolidated financial statements

Al-Baha Investment and Development Company
A Saudi Joint Stock Company
Al Baha– Kingdom of Saudi Arabia

Consolidated statement of comprehensive income for the year ended December 31, 2023

	Note	2023	2022
		(SR)	(SR)
Rent revenues		16,061,894	11,516,628
Cost of revenues	20	(4,388,847)	(5,696,383)
Gross profit		**11,673,047**	**5,820,245**
General and administrative expenses	21	(3,678,159)	(3,214,087)
IPO fees	22	-	(3,995,600)
Expected credit loss	5	(382,976)	166,903
Impairment provision for other debit balances	6	(1,500,000)	-
Provision reversal / (impairment) in investments properties	11	4,679,505	(3,426,158)
Net profit (loss) from operations		**10,791,417**	**(4,648,697)**
Impairment losses in goodwill	8	-	(951,349)
Finance costs	23	(743,505)	(2,751,616)
Other revenue	24	74,845	2,978,174
Net profit (loss) before Zakat		**10,122,757**	**(5,373,488)**
Zakat	17	(5,180,977)	(2,721,382)
Net comprehensive income (comprehensive loss)		**4,941,780**	**(8,094,870)**
Comprehensive income (comprehensive loss) for the year attributable to:			
Shareholders of the parent company		3,496,076	(7,975,100)
Non - Controlling interests		1,445,704	(119,770)
Total		**4,941,780**	**(8,094,870)**
Basic and diluted earnings / (loss) per share for the shareholders of the parent company	25	0.001177	(0.002950)

The accompanying notes from (1) to (32) constitute an integral part of these consolidated financial statements

Al-Baha Investment and Development Company
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Al Baha– Kingdom of Saudi Arabia

Consolidated statement of changes in equity for the year ended December 31, 2023

For the year ended December 31, 2023	Note	Capital (SR)	Accumalated Losses (SR)	Net Shareholders' Equity (SR)	Net Non-Controlling interests (SR)	Total Equity (SR)
Balance at the beginning of the year		297,000,000	(85,619,149)	**211,380,851**	17,955,288	**229,336,139**
Total comprehensive income		-	3,496,076	**3,496,076**	1,445,704	**4,941,780**
Balance at the end of the year		**297,000,000**	**(82,123,073)**	**214,876,927**	**19,400,992**	**234,277,919**
For the year ended December 31, 2022						
Balance at the beginning of the year		177,000,000	(77,644,049)	**99,355,951**	18,075,058	**117,431,009**
Total comprehensive loss		-	(7,975,100)	**(7,975,100)**	(119,770)	**(8,094,870)**
Capital increase	19	120,000,000	-	**120,000,000**	-	**120,000,000**
Balance at the end of the year		**297,000,000**	**(85,619,149)**	**211,380,851**	**17,955,288**	**229,336,139**

The accompanying notes from (1) to (32) constitute an integral part of these consolidated financial statements

Al-Baha Investment and Development Company
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Al Baha– Kingdom of Saudi Arabia

Consolidated statement of cash flows for the year ended December 31, 2023

	Note	2023 (SR)	2022 (SR)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) for the year before Zakat		10,122,757	(5,373,488)
Adjustments to reconcile profit (loss) for the year before Zakat to net cash from (used in) operating activities			
Provision for expected credit losses	5	382,976	(166,903)
Provision for impairment of other debit balances	6	1,500,000	-
Impairment of goodwill - losses	8	-	951,349
Amortization of intangible assets		11,158	11,720
Depreciations of right of used assets	10	1,704,860	3,939,877
Finance cost for lease liability	10	743,505	2,751,616
Depreciations of investment property	11	1,859,378	1,066,150
(Provision reversal)/impairment in investments properties	11	(4,679,505)	3,426,158
Depreciations of Property and equipment	12	82,004	64,448
Employees' defined benefit obligation - charged	18	91,122	65,256
Gain from disposal of right of use assets		-	(1,437,800)
Lease liability settlement against other income		-	(365,594)
Changes in Operating Assets and Liabilities			
Trade receivables		314,695	(884,201)
Other debit balances		952,919	(3,219,013)
Accounts payable		-	1,005,450
Other credit balances		(1,053,537)	(671,728)
Auction shares deposits under settlement		(48,488)	610,829
Cash flows from operations		**11,983,844**	**1,774,126**
Financing cost obligations during the year - Paid		-	(257,833)
Provision for potential claims - Paid	13	-	(3,000,000)
Employees' defined benefit obligation - Paid	18	(22,996)	-
Zakat - Paid	17	(2,188,403)	(16,160,019)
Net Cash flows from (used in) Operating Activities		**9,772,445**	**(17,643,726)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions of investment property	11	(197,098)	(97,422,740)
Additions of property and equipment	12	(343,749)	(94,699)
Net cash flows used in investing activities		**(540,847)**	**(97,517,439)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital increase		-	120,000,000
Lease liability-Paid	10	(2,568,874)	(4,220,075)
Loan		(50,242,000)	50,000,000
Due from related party		(141,914)	-
Due to related party		-	(650,000)
Net Cash flows (used in) from Financing Activities		**(52,952,788)**	**165,129,925**
Net (decrease) increase in cash and cash equivalents		**(43,721,190)**	**49,968,760**
Cash and cash equivalents at beginning of the year		50,950,741	981,981
Cash and cash equivalents at end of the year		**7,229,551**	**50,950,741**

The accompanying notes from (1) to (32) constitute an integral part of these consolidated financial statements

1. Company Information

- Al-Baha Investment and Development Company ("the company") is a Saudi joint stock company registered in the Kingdom of Saudi Arabia under the commercial registration No. 5800005960 on Rajab 19, 1413(H) corresponding to January 11, 1993(G) and according to Ministerial Resolution No. 600 on Jumada Al-Thani 5, 1413(H) corresponding to November 30, 1992(G).
- The Group's activities include managing and leasing the residential and non-residential real estates that are owned or leased by the Group, managing and leasing warehouses, brokerage of real estates, and managing properties. The Group performs its activities in accordance with applicable regulations and after obtaining the required licenses from related bodies (if required).
- The head office of the company is located at the following address:
  Al Baha City – King Fahd Road - PO Box: 448, Postal Code: 2288, - Kingdom of Saudi Arabia.

Basis for consolidating financial statements:

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

Subsidiaries	Legal status	The main activity	Country of Incorporation	Ownership percentage 2023	Ownership percentage 2022
Elegant Centers Company Ltd	Limited Liability	Real estate investment and development	Kingdom Of Saudi Arabia	86.96%	86.96%
Ishraqa Regional Development and Real Estate Investment Company (One person company)	Limited Liability	Real estate investment and development	Kingdom Of Saudi Arabia	86.96%	86.96%

- Al-Baha Investment and Development Company owns 86.96% of the capital in the Elegant Centers Company Limited, while the Elegant Centers Company owns 100% of the capital in Ishraqa Regional Development and Real Estate Investment Company

– The following are the most important financial information of the subsidiaries:

Subsidiary	2023 Assets (SR)	2023 Liabilities (SR)	2023 Comprehensive profit (SR)
Elegant Centers Company Ltd- unconsolidated	257,474,105	107,119,442	11,086,687
Ishraqa Regional Development and Real Estate Investment Company	85,884,651	72,868,889	4,311,285

Subsidiary	2022 Assets (SR)	2022 Liabilities (SR)	2022 Comprehensive profit (loss) (SR)
Elegant Centers Company- unconsolidated	290,023,443	150,882,412	(918,233)
Ishraqa Regional Development and Real Estate Investment Company	84,205,691	75,501,214	2,121,739

Going concern

The accumulated losses of the Group amounted to SR 82,123,073 representing 28% of the company's capital, The Group's management has evaluated the group's ability to continue its business and is convinced that the Group has sufficient resources to continue its business in the foreseeable future. Furthermore, management is not aware of any material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern, as it achieves profits from its business and has sufficient cash flows to meet its obligations; accordingly, the financial statements were prepared on a going concern basis.

2. Basis of preparation

a) Statement of compliance with International Financial Reporting Standards:

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and other pronouncements and other standards endorsed by Saudi Organization for Chartered and Professional Accountants (SOCPA).

b) Basis of measurement:

These consolidated financial statements have been prepared on historical cost basis using the accrual basis and going concern assumption.

c) Functional and presentation currency:

These consolidated financial statements have been presented in Saudi Riyals, which represents the functional and presentation currency for the Group.

3. Material accounting policy information

The Company's Material accounting policy information applied in preparing its financial statements under IFRS are as follows:

a) Cash at banks:

Cash and cash equivalents include cash in banks and cash on hand, which are subject to an insignificant risk of change in value

b) Accounts Receivable

Accounts receivable are amounts due from customers for merchandise or services performed in the ordinary course of business. Accounts receivable are recorded at their transaction price on initial recognition. Subsequent on each reporting date, accounts receivable are shown net of provision for expected credit loss. The Company applies the simplified approach to providing expected credit losses, which requires the use of the lifetime expected loss provision for all trade receivables.

c) Related Parties

Related parties are identified by the Group in accordance with the definition in IAS 24. Related party transactions are transfer of resources, services or obligations between the Group and related parties regardless of whether a price is charged. Terms and conditions of these transactions are approved by the Group's management.

d) Intangible assets

- Intangible assets (except goodwill) are measured at cost less accumulated amortization and accumulated impairment losses, if any.
- Intangible assets are amortized on a straight-line basis over an economic life of 5 years.
- Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group and the expenditure can be measured reliably.
- The residual values of intangible assets, their useful lives and impairment indicators are reviewed at the end of each financial year and adjusted prospectively, when necessary.

e) Goodwill

The goodwill resulted from acquisition transactions is recognized at the date of acquisition at cost less accumulated impairment (if any).

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

The cash-generating unit to which goodwill has been allocated is reviewed for impairment on an annual basis or more frequently when there is an indication that the value of the unit may be impaired. If the recoverable value of the cash-generating unit is less than its book value, the impairment loss is allocated first to reduce the book value of any goodwill allocated to the unit and then to the other assets in the unit proportionately based on the book value of each asset in the unit. Any impairment loss on goodwill is recognized immediately in the consolidated statement of profit or loss. An impairment loss recorded for goodwill is not reversed in subsequent periods.

When the relevant cash-generating unit is disposed of, the amount attributable to goodwill is included in determining the gain or loss on disposal.

f) Property and equipment

- Property and equipment are stated at cost after deducting the accumulated depreciation and impairment losses (if any).
- Cost includes the cost of replacing parts of the property and equipment. When significant parts of property and equipment are required to be replaced at 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 statement of comprehensive income as incurred .
- Residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate.
- Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets at the following annual rates:

Furniture and fixture	10- 20%
Office equipment	20 - 25%
Cars	25%

- An item of property and equipment is derecognized upon sale or when no future economic benefits are expected from its use or disposal. The gain or loss resulting from the disposal of the asset (calculated on the basis of the difference between the net disposal proceeds and the book value of the asset) is included in the income statement when the asset is disposal.

g) Investment properties

- Investment property is property (land or buildings - or part of a building - or both):
  - Held by the entity to earn rental income, or
  - Increase in their capital value, or both, and not for use in production or for the supply of goods or services or for administrative purposes, or for sale during normal operations.
- Investment properties are initially measured at cost, including transaction costs.
- After initial recognition, real estate investments are recorded in the statement of financial position at cost less accumulated depreciation and any accumulated impairment losses, and land is not depreciated.
- Depreciation is recognized in each period as an expense. Depreciation is calculated on a straight-line basis, with which the facility is expected to consume the expected future economic benefits, excluding land, at the following annual rates:

Buildings	3%

- The estimated useful lives are reviewed at the end of each year, and any change in estimates is affected in subsequent periods.
- An impairment test is performed for investment properties that appear in the statement of financial position when any events or changes in circumstances appear that indicate that this value is not recoverable. If any indication of impairment appears, impairment losses are calculated in accordance with the asset impairment policy.
- Upon any subsequent disposal of investment properties, the value of the resulting gain or loss, which represents the difference between the net proceeds of disposal and the value at which these investment properties appear in the statement of financial position, is recognized in profit or loss.

h) <u>Leases</u>

The Group determines at the beginning of the contract whether the contract is a lease or involves a lease. A contract is a lease or involves a lease if the contract transfers the right to control an existing use of a specific asset for a period of time in exchange for compensation. In order to assess whether a contract transfers control over a use of a specific asset for a period of time, an entity must assess whether:

- The right to have access to nearly all economic benefits from the use of a substantially determined asset.
- The right to direct control over the use of the specified asset. An entity reserves the right when it has the right to make the most relevant decisions to change the use of the asset and for what purpose. In rare cases where the decision on how to use the asset and for any previously specified purpose, the Company has the right to direct the use of the asset if:
  - The Company has the right to operate the existing property, or
  - The Company designed the assets in a way that predetermines how they will be used and for what purpose.

<u>The Group as a lessee</u>

<u>Right of use assets</u>

- The Group shall recognize the right to use the assets and the lease obligation on the date of commencement of the lease. The right to use the asset is measured initially at cost, which consists of the initial amount of the lease obligation adjusted for any lease payments made on or before the commencement date, in addition to any initial direct costs incurred and the estimated the costs of dismantling and removing a leased asset, restoring the site on which it is located, minus any rent incentives received.
- Right-of-use assets are depreciated over the shorter period of the contract term or the useful life of the specified asset. The estimated useful lives of the right to use the asset are determined on the same basis as property, plant and equipment. In addition, the right to use the asset is periodically reduced by impairment losses, if any, and adjusted for some re-measurement of the liability.

Lease liability

- At the beginning of the lease, the lease liability is measured at the present value of the unpaid lease payments at that date, and the lease payments are discounted using the interest rate implicit in the lease if the rate can be determined easily, and if it is not possible to determine that rate easily then the lessee should use his incremental borrowing rate.
- Payments at the commencement date of the lease contract included in the measurement of the lease obligation consist of the following payments for the right to use the asset in question during the lease term that have not been paid at the commencement date of the lease:
  - Fixed payments less any lease incentives payable.
  - Variable lease payments based on an index or rate initially measured using the index or rate at the commencement date of the lease.
  - Amounts expected to be paid by the lessee under residual value guarantees.
  - The price of the option if the tenant is certain to exercise this option reasonably.
  - Fines payments for termination of the lease if the term of the lease reflects the tenant's exercise of the option to terminate the lease.
- Lease liability is measured at amortized cost using the effective interest method. Re-measurement is made when there is a change in future lease payments arising from a change in the index or price, if there is a change in the entity's estimate of the amount expected to be paid under the residual value guarantee, or if the entity changes the assessment of whether an option to purchase or extend will be exercised.
- When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right to use the asset, or is recognized in profit or loss if the carrying amount of the right to use the asset is reduced to zero.
- The right to use the assets and liabilities of leases are not recognized for short-term leases with a lease term of 12 months or less and leases for low-value assets. The Company recognizes lease payments related to the leases as an expense on a straight-line basis over the term of the lease.

The Group as a lessor

Operating lease income is recognized on a straight-line accrual basis over the lease term. The initial direct costs incurred in negotiating and arranging the operating lease are added to the book value of the leased asset and are recognized on a straight-line basis over the lease term.

i) Impairment of non-financial assets

- At the date of the statement of financial position, non-financial assets that are subject to depreciation or amortization, are reviewed for impairment when events or circumstances occur that indicate a decline in the value of the asset, the entity estimates the recoverable value of this asset and compares it with its recorded value. If the recoverable value is less, the recorded value is reduced to the estimated recoverable value of the cash-generating unit, and the impairment loss is recognized in the income statement by the amount of the decline in value. The recoverable value of the asset is either its fair value less the cost of disposal or its value in use, whichever one is higher. For the purposes of assessing impairment, assets are grouped into the lowest levels for which they have identifiable and independent cash flows.

- For the purposes of assessing impairment, assets with the lowest level are aggregated. In which there are largely independent cash flows, impairment of non-financial assets other than goodwill is reviewed for possible reversal at each reporting date.

- Impairment loss recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed, if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

j) <u>Non-current assets held for sale</u>

- Non-current assets (or disposal groups) are classified as assets held for sale if the value at which these assets appear in the statement of financial position is recovered through sales operations rather than through continued use. This condition is only met when the probability of sale is high and the asset (or disposal group) is available for direct sale in its current condition and management is committed for the sale or disposal and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.
- Non-current assets (or disposal groups) held for sale are measured at the book value at which the asset appears in the statement of financial position or at the fair value less costs to sell, whichever is lower.
- Events or circumstances may extend the period for completion of the sale by more than one year. Extending the period required to complete the sale does not prevent the asset (or disposal group) from being classified as held for sale if the delay is due to events or circumstances beyond the entity's control and there is sufficient evidence that the entity remains committed to its plan to sell the asset (or disposal group). This is the case when the following controls are met:
- The entity reasonably expects, on the date it commits to a plan to sell a non-current asset (or disposal group), that others, not the buyer, will impose conditions on the transfer of the asset (or disposal group) that will extend the period required to complete the sale and that:
  - The necessary measures to respond to these circumstances cannot be initiated except after obtaining a confirmed commitment to purchase.
  - A firm purchase commitment is highly likely within one year.
- The entity obtains a firm commitment to purchase and, as a result, the buyer or others unexpectedly impose on the transfer of the non-current asset (or disposal group) previously classified as held for sale conditions that would extend the period necessary to complete the sale:
  - The necessary measures have been taken to meet the conditions in a timely manner.
  - It is expected that a favorable solution will be reached to the delaying factors.
- During the initial one-year period, circumstances arise that were previously considered unlikely to occur, and as a result, the non-current asset (or disposal group) previously classified as held for sale is not sold at the end of that period:
  - During the initial one-year period, the facility takes the necessary action to respond to the change in circumstances.
  - The traded asset (or disposal group) is marketed actively and at a reasonable price, given the change in circumstances.

k) <u>Accounts payable, accruals and other liabilities</u>

Liabilities are recognized at the amount payable in the future for goods or services received, whether claimed by the supplier or not.

l) Provision for Zakat

Zakat is measured and recognized in the consolidated statement of comprehensive income for each financial period pursuant to Zakat Regulation in the Kingdom of Saudi Arabia. The provision for Zakat is settled in the financial period in which the final assessment of Zakat is issued. Variances between the amount of provision for zakat and the final zakat assessment are recognized in the consolidated statement of comprehensive income as a change in estimate at the time of the final assessment.

m) Provisions

- Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the Statement of comprehensive income net of any reimbursement.
- If the effect of the time value of money is material, provisions are discounted using current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as finance cost.

n) Post - employment benefits

The Group's post-employment benefits include monthly contributions to General Organization for Social Insurance (GOSI) and gratuity scheme as per the requirements of Kingdom of Saudi Arabia regulations.

(a) General Organization for Social Insurance (GOSI)

The monthly contributions to GOSI (separate entity) are categorized as defined contribution plan. The Group recognizes its portion of fixed contribution to GOSI every month as expense. The Group has no legal or constructive obligation to pay any further contribution, its only obligation is to pay contribution as it falls due.

(b) End of service indemnity

The Group's gratuity scheme is categorized as a defined benefit plan. The scheme is unfunded and the liability recognized in the statement of financial position in respect of defined benefit gratuity plan is the present value of the defined benefit obligation at the end of the reporting period. The management calculates the end-of-service indemnity at the reporting date on accrued basis with the amount payable assuming the employees services had ended in accordance with the requirements of the Saudi Labor Law. In the opinion of management, there are no material differences in case the provision calculated according to actuarial assumptions.

o) Revenue Recognition

- Revenue comprise the fair value of consideration received or receivable in exchange for providing goods or services in the ordinary course of an entity's activities. Revenue are presented, net of taxes, discounts and returns. An entity recognizes revenue when the amount of revenue and related costs can be measured reliably and the collectability of the related receivables is likely to be reasonably assured.
- Revenue from rendering of services is recognized when control of the services is transferred to the customer. The Group recognizes revenue to describe the transfer of agreed services to customers in an amount that reflects the consideration that the Group expects to receive in exchange for those services. Revenues are recognized through the following steps:
  - Step 1: Identify the contract (Contracts concluded with customers).
  - Step 2: Identify the performance obligations in the contract.
  - Step 3: Determine the transaction price.
  - Step 4: Allocate the transaction price to the performance obligations in the contract.
  - Step 5: Recognize revenue when (or as) the Group satisfies a performance obligation.

- **Rents revenue**
  - Operating lease revenue is recognized on a straight-line accrual basis over the lease term. The initial direct costs incurred in negotiating and arranging the operating lease are added to the book value of the leased asset and recognized on a straight-line basis over the lease term.
  - There is no significant financing component as sales are made either in cash or on account at terms in line with market practice

p) Expenses

Administrative expenses include all direct and indirect costs that are not classified as part of cost of sales. Common expenses are allocated between cost of sales, administrative expenses, and selling and marketing, if necessary, on a regular basis.

q) Foreign currencies

Transactions in foreign currency are accounted for at the exchange rates prevailing on the date of transactions. All monetary assets and liabilities denominated in foreign currencies at the year-end are retranslated in Saudi Arabian Riyals at exchange rates prevailing at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rate at the date of transaction. Exchange differences are included in Statement of comprehensive income for the year.

r) Fair value measurement

- Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.
- In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2, or 3 based on degree to which the inputs to the fair value measurements are observable and the significance of inputs to the fair value measurement in its entirety, which are described as follows:
  - Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
  - Level 2: inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
  - Level 3 : inputs are unobservable inputs for the asset or liability.

s) Financial instruments

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

(a) Financial assets

A financial asset is any asset that is:

- Cash
- A contractual right to receive cash or another financial asset from another entity.
- A contractual right to exchange financial instruments with another entity under conditions are potentially favorable to the entity.
- A non-derivative contract for which the entity is or may be obliged to receive a variable number of the entity’s own equity instruments.

Classification and initial recognition

- The Entity classifies its financial assets in the following measuring categories:
  - Those to be measured subsequently at fair value (either through income statement, or through other comprehensive income), and
  - Those to be measured at amortized cost.
- The classification depends on the Eentity's business model for managing the financial assets and the contractual terms of the cash flows.
- For assets measured at fair value, gain and losses will either be recorded in income statement or other comprehensive income (OCI). For investment in debt instruments, this will depend on the business model in which investment is held. For investment in equity instruments, this will depend on whether the Entity has made an irrevocable election at the time of initial recognition to account for the equity instruments at fair value through OCI. The Entity reclassifies debt instruments when and only when its business model for managing those assets changes.
- At initial recognition, the Entity measures a financial asset at its fair value plus, in the case of financial asset not at fair value through income statement, transaction costs that are directly attributable to the acquisition of the financial asset. Transactions costs of financial assets carried at fair value through income statement are expensed in the Statement of comprehensive income.

Subsequent measurement

Equity instruments

- The Entity subsequently measures all equity investments at fair value. Where the Entity's management has elected to present fair value gains or losses on equity investments in OCI, there is no subsequent reclassification of fair value gains or losses to income statement. Dividends from such investments continue to be recognized in income statement as other income when the Entity's right to receive payments is established.
- Impairment losses and reversal of impairment losses on equity investments measured at FVOCI are not reported separately from other changes in fair value.
- Changes in the fair value of financial assets at fair value through income statement are recognized in other gain / (losses) in the Statement of comprehensive income as applicable.

Debt instruments

Subsequent measurement of debt instruments depends on the Entity's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Entity classified its debt instruments:

- Amortized cost:
  Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt instrument that is measured at amortized cost and is not part of a hedging relationship is recognized in income statement when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

- Fair value through other comprehensive income (FVOCI):
  Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represents solely payments of principal and interest, are measured at fair value through other comprehensive income (FVOCI). Movements in carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains or losses which are recognized in income statement. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to income statement and recognized in the other gains / (losses). Interest income from these financial assets is included in finance income using the effective interest method.

- Fair value through income statement
  Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through income statement. A gain or loss on a debt investment that is subsequently measured at fair value through income statement and is not part of a hedging relationship is recognized in income statement and presented net in the income statement within other gains / (losses) in the period in which it arises. Interest income from these financial assets is included in the finance income.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the debt instrument, or, where appropriate, a shorter period to net the carrying amount on initial recognition.

Impairment

- The Entity assesses on expected credit losses associated with its assets carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.
- For trade receivables only, the entity applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

(b) Financial liabilities

A financial liability is any liability that is:

- Contractual obligation to deliver cash or another financial asset to another entity.
- Contractual obligation to exchange financial instruments with another entity under conditions that are potentially unfavorable.
- A non-derivative contract for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments.

Initial recognition

All financial liabilities are recognized initially at fair value. The Company's financial liabilities include trade and other payables and long-term loan from government at below market rate of interest.

Subsequent measurement

Entity classifies all financial liabilities subsequent to initial measurement at amortized cost.

Offsetting of financial instruments

Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position only if there is a current enforceable legal right to offset the recognized amounts and an intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derecognition of financial instruments

- The Entity derecognize 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 party. If the Entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Entity recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the Entity continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.
- On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in the income statement. In addition, on derecognition of an investment in a debt instrument classified as at FVOCI, 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 equity instrument which the Entity has elected on initial recognition to measure at FVOCI, 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.
- The Entity derecognizes financial liabilities when, and only when, the Entity's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the income statement.

4. Use of Estimates

Preparation of the financial statements and the application of the accounting policies require from the Group's management to perform assessments and assumptions that effect the amounts of financial assets and liabilities, and the disclosure of contingent liabilities. Moreover, these assessments and assumptions affect revenue, expenses, provisions, and changes in the fair value shown within the comprehensive Income and shareholders' equity. In particular, this requires the Company's management to issue significant judgments and assumptions to assess future cash flow amounts and their timing. Moreover, the said assessments are necessarily based on assumptions and factors with varying degrees of consideration and uncertainty. In addition, actual results may differ from the conditions and the circumstances of those assessments in the future.

Main sources of uncertainty in estimates

We believe that the assessments adopted in the accompanying financial statements are reasonable. The details are as follows:

- Management frequently reviews the financial assets recorded at cost, to assess any impairment in their value. Impairment in value is charged to the income statement**.**
- The Group applies the simplified approach to provide expected credit losses, which requires the use of a lifetime expected loss allowance for all trade receivables. This will require making reasonable judgments about how changes in economic factors will affect the expected credit loss model.
- Management periodically reassesses the economic useful lives of tangible assets for the purpose of calculating annual depreciation based on the general condition of these assets and the assessment of their useful economic lives expected in the future. Impairment loss (if any) is taken to the consolidated comprehensive income statement.
- When it is not possible to determine the implicit interest rate in the lease contract, the incremental borrowing rate is estimated to measure the current value of the lease contract based on the interest rate that the company may have to pay to borrow over a similar period and for a similar guarantee to obtain an asset with a value similar to the asset with the right to use in the same economic conditions.
- The calculation of Zakat is includes a significant estimates in respect of certain items, which could not be finally determined until a final decision is reached with the Zakat, Tax, and Customs Authority or on the basis of related legal decisions. The settlement of certain items may result in gain, loss or cash flows.
- The entity's liabilities of defined benefit plan are calculated through estimating amount of future benefit earned by the employees during current and past periods, then discounting that amount to reach the present value. Management has calculated the defined benefit obligation at the reporting date based on the benefit amount that must be paid in accordance with the requirements of the Labor Law and relevant regulations in the Kingdom of Saudi Arabia. In the opinion of management, there are no material differences if the provision is calculated according to actuarial assumptions.
- A provision is set for lawsuits raised against the Group based on an adequate legal study prepared by the Company's legal advisor. Moreover, the study highlights potential risks that may be uncounted in the future. Such legal assessments are reviewed periodically.
- Goodwill is reviewed for impairment at least annually or more when there is an indication of impairment in the value of the cash-generating unit that arises during the year. If the recoverable value of the cash-generating unit is less than its book value, the impairment loss is allocated first to reduce the book value of any goodwill allocated to the unit and then to the other assets in the unit proportionately based on the book value of each asset in the unit. The management has engaged an accredited business valuer to measure the recoverable value of goodwill through approved valuation methods appropriate to the nature of the cash-generating unit.
- Management uses the services of independent accredited valuers to obtain estimates of the fair value of investment properties using recognized valuation methods for the purpose of reviewing impairment and disclosing the fair value in the consolidated financial statements.

5. Accounts receivable – Net

a) This item consists of the following:

	2023	2022
	(SR)	**(SR)**
Accounts receivable	8,880,619	9,234,087
Less: Provision for expected credit losses	(5,666,970)	(5,322,767)
Net	**3,213,649**	**3,911,320**

b) Movement of provision for expected credit losses was during the year was as follows:

	2023	2022
	(SR)	**(SR)**
Balance at the beginning of the year	5,322,767	5,905,648
Additions (reversal) during the year	382,976	(166,903)
Written off during the year	(38,773)	(415,978)
Balance at the end of the year	**5,666,970**	**5,322,767**

c) The following presents the analysis of accounts receivable as of:

	2023	2022
	(SR)	**(SR)**
Balances not yet due	2,338,404	2,213,325
1-90 days	259,248	437,455
91-180 days	1,153,305	1,769,048
181-270 days	579,091	384,039
271-365 days	185,865	281,690
More than 365 days	4,364,706	4,148,530
Total	**8,880,619**	**9,234,087**

6. Other debit balances – Net

This item consists of the following:

	2023 (SR)	2022 (SR)
Advance payments against purchase of assets	1,500,000	1,589,000
VAT	-	865,575
Employees receivables	40,256	19,282
Other	30,922	50,240
Total	**1,571,178**	**2,524,097**
Impairment provision (*)	(1,500,000)	-
Net	**71,178**	**2,524,097**

(*) The movement on the impairment provision was as follows:

	2023 (SR)	2022 (SR)
Balance at the beginning of the year	-	-
Charged during the year	1,500,000	-
Balance at the end of the year	**1,500,000**	**-**

7. Due from / to related parties

a) This item consists of the following:

	Relationship	Nature of transaction	2023 Debit (Credit)	Transactions during the year - net Debit (Credit)	2022 Debit (Credit)
			(SR)	(SR)	(SR)
Ibrahim bin Kulaib	CEO and Vice Chairman of the Board of Directors	Custody	141,914	141,914	-
Due from related parties			**141,914**		**-**

b) The related party balances do not bear interest and there is no specified schedule for repayments.

c) The salaries and benefits relating to senior management and the Board of Directors during the year were as follows:

	2023	2022
	(SR)	(SR)
Salaries and benefits - Short-term	819,030	723,016
Benefits - Long term	231,869	156,367
Total	**1,050,899**	**879,383**

d) The terms of the transactions with the related parties were approved by the management.

8. Goodwill - Net

The goodwill recognized in the consolidated financial statements arose as a result of the acquisition of Ishraqa Real Estate Development and Investment Company during the year 2017, and the movement therein is detailed below:

	2023	2022
Cost	**(SR)**	**(SR)**
Balance at the beginning of the year	28,389,288	28,389,288
Balance at the End of the year	**28,389,288**	**28,389,288**
Accumulated impairment		
Balance at the beginning of the year	6,230,224	5,278,875
Addition during the year	-	951,349
Balance at the End of the year	**6,230,224**	**6,230,224**
Net book value	**22,159,064**	**22,159,064**

- The group tests the impairment of goodwill on an annual basis by using assistance of an external independent business valuer, this is with the aim of verifying whether there is an impairment on the value of goodwill by comparing the book value of the cash-generating unit with the recoverable value, which is determined by the cost method and the adjusted net asset value method which was assigned a weigh of 100%. However, when calculating the recoverable value using the income method and the discounted cash flow method, the evaluation result was negative, and therefore this method was ignored, with a weight of zero%.
- The cost method and the adjusted net assets method were relied upon to evaluate the subsidiary company, since it derives its value substantially from the investment property (Al-Izdihar Complex), whose book value is SR 69,390,742 as of December 31, 2023. The following is a summary of the calculation of the fair value of the net assets and the value of the goodwill of the subsidiary company (Ishraqa Regional Development and Real Estate Investment Company - one-person company) as of December 31:

	2023	2022
	(SR)	**(SR)**
Net assets at book value	13,015,762	8,704,477
Less : Investments property at book value	(69,390,742)	(69,840,700)
Add : Investments property at fair value	105,524,683	91,652,500
Fair value of net assets	**49,149,703**	**30,516,277**
Less : net assets at book value	(13,015,762)	(8,704,477)
Goodwill	**36,133,941**	**21,811,800**

- The fair value of investment properties was reached by relying on real estate valuation reports carried out by a valuation expert (Taqdeer Company, a member of the Saudi Authority for Accredited Valuers, Membership No. 1210000414, and (Barcode Valuation Company, a member of the Saudi Authority for Accredited Valuers, Membership No. 1220000233) on December 31, 2023 AD (31 December 2022 AD: According to the evaluation by the valuation expert (Barcode Valuation Company, member of the Saudi Authority for Accredited Valuers, Membership No. 1220000233, Certified Valuer, Member of the Saudi Authority for Accredited Valuers) and the evaluator (Taqdeer Company, Membership No. 1210000414, Member of the Saudi Authority for Accredited Valuers) (Note 11)
- Property and equipment recorded in the financial statements as of December 31, 2023 and 2022 were ignored because they were not material, as their book value amounted to SR 321,878 and SR 109,741, respectively.
- During the current year, the group re-evaluated the goodwill for the previous year to verify the validity of the recoverable value of goodwill as of December 31, 2022, due to its discovery of some errors in the assumptions and calculations within the goodwill measurement report for the year 2022. The value of goodwill under the new goodwill measurement report did not differ significantly, as the difference amounted to SR 347 thousand, which did not warrant a retroactive adjustment.
- The evaluation was carried out using the cost method that falls within international standards and is approved by the Saudi Authority for Accredited Valuers.
- The evaluation was carried out for the subsidiary (Ishraqa Regional Real Estate Development and Investment Company, a one-person company) by Alpha Consulting Group - assessor Rayan bin Omar Al-Mufada - license number (4412000068) for the years 2023 and 2022.

9. Intangible assets - net

This item consists of the following:

	Computer programs	
	2023	**2022**
Cost	**(SR)**	**(SR)**
Balance at the beginning of the year	57,803	57,803
Balance at the End of the year	**57,803**	**57,803**
Accumulated amortization		
Balance at the beginning of the year	45,340	33,620
Addition during the year	11,158	11,720
Balance at the End of the year	**56,498**	**45,340**
Net book value	**1,305**	**12,463**

10. Right of use assets and lease liabilities

The group concluded a lease contract for a real estate complex (Al Suwaidi Complex) as follows:

- The contract period is eleven years.
- The rental value is paid semi-annually and according to the terms of the contract.
- These assets are used to rent to others, it generates rental income by an amount of SR 2,307,310 for the year ended December 31, 2023, and the operating expenses for these assets by an amount of SR 1,820,336 for the year ended December 31, 2023.
- The interest rate that was used to calculate and discount the right of use assets is 4%.
- The following table shows the balance of right-of-use assets as of December 31:

	2023	2022
Right of use assets -Cost	**(SR)**	**(SR)**
Balance at the beginning of the year	19,084,941	55,657,969
Disposals during the year	-	(36,573,028)
Balance at the end of the year	**19,084,941**	**19,084,941**
Accumulated amortization		
Balance at the beginning of the year	7,008,853	6,319,912
Additions during the year	1,704,860	3,939,877
Disposals during the year	-	(3,250,936)
Balance at the end of the year	**8,713,713**	**7,008,853**
Net Book Value	**10,371,228**	**12,076,088**

- The following is the movement on the lease liability account during the year ended:

	2023	2022
	(SR)	**(SR)**
Balance at the beginning of the year	13,395,358	50,962,137
Finance cost	501,505	1,778,783
Paid during the year	(2,568,874)	(4,220,075)
Disposals during the year	-	(34,759,893)
Adjustments during the year against other income	-	(365,594)
Balance at the end of the year	**11,327,989**	**13,395,358**

– The following is a summary for lease liability contracts according to their due date:

	Minimum lease payments		The present value of the minimum lease payments	
	2023	**2022**	**2023**	**2022**
	(SR)	**(SR)**	**(SR)**	**(SR)**
Less than one year	2,920,574	2,789,541	1,921,665	2,598,039
From one to five years	8,582,875	10,298,232	7,456,529	7,901,205
More than five years	1,969,100	2,953,650	1,949,795	2,896,114
Total	**13,472,549**	**16,041,423**	**11,327,989**	**13,395,358**
Future financing interest	(2,144,560)	(2,646,065)	-	-
The present value of the minimum lease payments	**11,327,989**	**13,395,358**	**11,327,989**	**13,395,358**

– Shown in the financial statements under:

	2023	**2022**
	(SR)	**(SR)**
Current portion	1,921,665	2,598,039
Non-current portion	9,406,324	10,797,319
Total	**11,327,989**	**13,395,358**

11. Investment properties - net

a) This item consists of the following:

December 31, 2023	Lands	Buildings	Total
Cost	(SR)	(SR)	(SR)
Balance at beginning of the year	179,919,738	60,620,745	**240,540,483**
Addition during the year	-	197,098	**197,098**
Balance at end of the period	**179,919,738**	**60,817,843**	**240,737,581**
Accumulated Depreciation			
Balance at beginning of the year	-	2,880,743	**2,880,743**
Addition during the year	-	1,859,378	**1,859,378**
Balance at end of the year	**-**	**4,740,121**	**4,740,121**
Accumulated impairment			
Balance at beginning of the year	14,986,584	-	**14,986,584**
reversal during the year	(4,679,505)	-	**(4,679,505)**
Balance at end of the year	**10,307,079**	**-**	**10,307,079**
Net book value	**169,612,659**	**56,077,722**	**225,690,381**

December 31, 2022	Lands	Buildings	Total
Cost			
Balance at beginning of the year	110,217,738	32,777,281	**142,995,019**
Additions for the year	69,702,000	27,720,740	**97,422,740**
Transferred from Property and Equipment	-	122,724	**122,724**
Balance at end of the year	**179,919,738**	**60,620,745**	**240,540,483**
Accumulated Depreciation			
Balance at beginning of the year	-	1,814,593	**1,814,593**
Depreciation for the year	-	1,066,150	**1,066,150**
Balance at end of the year	**-**	**2,880,743**	**2,880,743**
Accumulated impairment			
Balance at beginning of the year	11,560,426	**-**	**11,560,426**
Addition for the year	3,426,158	**-**	**3,426,158**
Balance at end of the year	**14,986,584**	**-**	**14,986,584**
Net book value	**164,933,154**	**57,740,002**	**222,673,156**

b) The Investment properties of the subsidiary company (The Elegent Centers Company Limited) represent the lands and buildings that the facility maintains to gain rental income for the Al Hazm Complex, the Malaz Complex, and this Saudi factory which amounted to SR 8,460,877 for the year ended December 31, 2023. The operating expenses for these properties amounted to SR 1,795,074 for the year ending December 31, 2023. The average fair value of the real estate investments amounted to SR 162,371,524 according to the evaluation prepared on December 31, 2023 by The valuation expert, (Taqdeer Company, is a member of the Saudi Authority for Accredited Valuers, Membership No. 1210000414), and (Barcode Valuation Company is a member of the Saudi Authority for Accredited Valuers, Membership No. 1220000233. Accordingly, part of the impairment value was reversed by the amount of the impairment that was previously booked, by an amount of SR 4,679,505 (2022: SR 160,400,000 according to the evaluation expert from Al-Namaa Professional Consulting Office, a Accredited evaluator, a member of the Saudi Authority for Accredited Valuers, No. 1210000930, and the evaluation expert Taqdeer company, membership No. 1210000414, a member of the Saudi Authority for Accredited Valuers).

c) The Investment properties of the subsidiary company (Ishraqa Regional Development and Real Estate Investment Company, a one-person company) represent the land and buildings that the facility maintains to gain rental income from the Al-Izdihar complex for an amount of SR 5,293,707 for the year ended December 31, 2023, the operating expenses for this property amounted to SR 773,437 for the year ending on December 31, 2023. The average fair value of investment properties amounted to 105,524,683 Saudi riyals according to the evaluation prepared on December 31. 2023 by the valuation expert, Taqdeer Company, a member of the Saudi Authority for Accredited Valuers, Membership No. 1210000414, and Barcode Valuation Company, a member of the Saudi Authority for Accredited Valuers, Membership No. 1220000233 (2022: SR 91,652,500, according to the evaluation from the valuation expert, Taqdeer Company, a member of the Saudi Authority for Accredited Valuers, Membership No. 1210000414) and Barcode Evaluation Company is a member of the Saudi Authority for Accredited Evaluators (membership number 1220000233).

Note that the subsidiary company (Eshraqa Regional Real Estate Development and Investment Company, a one-person company) has made new evaluations for the past year for the investment property at an average value as shown above, in contrast to what was disclosed during the past year because it believes that the evaluation inputs and comparisons in the previous report relied on comparisons with dates that are distant from the date of the financial statements, so updated valuation reports were prepared based on recent comparisons, which is closer to being correct than the disclosed valuation of 70,100,000 Saudi riyals, as the percentage difference between the average fair value and the previous valuation amounted to 24%.

d) The following is a summary of the fair value and book value of investment properties as of December 31:

		December 31, 2023								
					Evaluator information			Evaluator information		
Property description	Valuation method	Book Value	Fair Value	Value increase (Value decrease)	Evaluation entity	Evaluator name	License number	Evaluation entity	Evaluator name	License number
		(SR)	(SR)	(SR)						
AlHazm Complex	Income method Discounted cash flow method	19,278,658	21,907,500	2,628,842	Taqdeer	Hamad bin Abdullah Al-Hamad	1210000414	Barcode Valuation	Abdullah Al Mazrouei	1220000233
AlMalaz Complex	Income method, discounted cash flow method / cost method (replacement cost)	109,950,024	109,950,024	-	Taqdeer	Hamad bin Abdullah Al-Hamad	1210000414	Barcode Valuation	Abdullah Al Mazrouei	1220000233
The Saudi factory	Cost method (depreciation method) / income method (direct capitalization method)	27,070,957	30,514,000	3,443,043	Taqdeer	Hamad bin Abdullah Al-Hamad	1210000414	Barcode Valuation	Abdullah Al Mazrouei	1220000233
Al-Ezdihar Complex	Cost method (depreciation method) / Cost method (replacement cost)	69,390,742	105,524,683	36,133,941	Taqdeer	Hamad bin Abdullah Al-Hamad	1210000414	Barcode Valuation	Abdullah Al Mazrouei	1220000233
Total		**225,690,381**	**267,896,207**	**42,205,826**						

		December 31, 2022			Evaluator information		
Property description	Valuation method	Book Value	Fair Value	Value increase (Value decrease)	Evaluation entity	Evaluator name	License number
		(SR)	(SR)	(SR)			
AlHazm Complex	Cost method and market method	17,466,042	17,500,000	33,958	Namaa valuation office	Abdulaziz Al-Ghamdi	1210000930
AlMalaz Complex	Cost method and market method	107,900,000	107,900,000	-	Taqdeer	Hamad bin Abdullah Al-Hamad	1210000414
The Saudi factory	Cost method and market method	27,466,414	35,000,000	7,533,586	Namaa valuation office	Abdulaziz Al-Ghamdi	1210000930
Al-Ezdihar Complex	Cost method and market method	69,840,700	91,652,500	21,811,800	Taqdeer / Barcode	Hamad bin Abdullah Al-Hamad / Abdullah Al Mazrouei	1210000414 / 1220000233
Total		**222,673,156**	**252,052,500**	**29,379,344**			

12. Property And Equipment –Net

This item consists of the following:

December 31, 2023	Furniture and fixture	Office equipment	Cars	Projects under construction	Machines and equipment	Tools	Total
Cost	(SR)	(SR)	(SR)	(SR)	(SR)	(SR)	(SR)
Balance at beginning of the year	999,934	3,030,048	1,902,525	-	34,382,005	173,371	**40,487,883**
Addition during the year	-	9,301	334,448	-	-	-	**343,749**
Balance at end of the year	**999,934**	**3,039,349**	**2,236,973**	**-**	**34,382,005**	**173,371**	**40,831,632**
Accumulated Depreciation							
Balance at beginning of the year	918,329	3,016,264	**1,794,313**	-	**34,382,005**	**173,371**	**40,284,282**
Addition during the year	12,175	6,758	**63,071**	-	-	-	**82,004**
Balance at end of the year	**930,504**	**3,023,022**	**1,857,384**	**-**	**34,382,005**	**173,371**	**40,366,286**
Net book value	**69,430**	**16,327**	**379,589**	-	-	-	**465,346**
December 31, 2022							
Cost							
Balance at beginning of the year	999,934	3,030,048	1,902,525	28,025	34,382,005	173,371	**40,515,908**
Additions for the year	-	-	-	94,699	-	-	**94,699**
Transferred to invesment Property	-	-	-	(122,724)	-	-	**(122,724)**
Balance at end of the year	**999,934**	**3,030,048**	**1,902,525**	**-**	**34,382,005**	**173,371**	**40,487,883**
Accumulated Depreciation							
Balance at beginning of the year	900,949	3,010,126	1,753,383	-	34,382,005	173,371	**40,219,834**
Depreciation during the year	17,380	6,138	40,930	-	-	-	**64,448**
Balance at end of the year	**918,329**	**3,016,264**	**1,794,313**	**-**	**34,382,005**	**173,371**	**40,284,282**
Net book value	**81,605**	**13,784**	**108,212**	-	-	-	**203,601**

13. Non-current assets held for sale and provision for potential claims - net

On February 6, 2011, the company signed a contract with Al- Sata'ah Modern General Contracting Company according to which the company purchased:

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

This is in return for assets with a book value of SR 74,003,717, in addition to paying an amount of SR 10 million in four installments according to certified checks.

The company has done the following:

1) According to the minutes of the Ordinary General Assembly of the company, which was held on April 26, 2011, in which the vote on the bartering assets agreement with the Sata'ah Modern General Contracting Company was postponed to another meeting of the Assembly, after the completion of the required reports and studies.
2) The company contracted with a specialized office to carry out the due diligence examination of the assets of the Al- Sata'ah Modern General Contracting Company, subject of the agreement, and the office issued the due diligence report on September 17, 2011, and those assets were only valued at SR 17,300,559.
3) The company announced on the Tadawul website on September 18, 2011 the issuance of the results of the due diligence report on evaluating the assets of the Al- Sata'ah Modern general Contracting Company, and in view of the large difference between the evaluation result of the assets of the Al-Sata'ah Modern general Contracting Company and the value of the assets of Al-Baha Company offered for barter with the assets of the Al- Sata'ah Modern General Contracting Company, the management of Al-Baha Investment and Development Company discussed the evaluation results with the management of the Al- Sata'ah Modern General Contracting Company.
4) The company announced on the Tadawul website on October 1, 2011 the results of its negotiations with the Al- Sata'ah Modern General Contracting Company, which resulted in the Al- Sata'ah Modern general Contracting Company not accepting the results of the due diligence report and also refused to return the amount of 7 million Saudi riyals, that the company had paid in advance as part of the contract. As a result of that, the company canceled the contract with Al- Sata'ah Modern general Contracting Company and a lawsuit was filed in the Judicial Council demanding that Al-Sata'ah Modern general Contracting Company to return the amount paid, A final judgment was issued in the case from the Judicial Council in Jeddah on 24/6/1434 (H) that includes approval of the initial judgment issued by Administrative Court in Jeddah to complete the implementation of the contract. On February 9, 2017, the company received a copy of the judgment of the Execution Department of the General Court in Baljurashi, which states that by looking at the ruling issued by the Judicial Council, it was found that the items to be implemented were not specified, and the ruling of Execution Department ended with stopping the implementation until the the judgment issued by the Judicial Council is corrected so it determines the clauses to be executed clearly and precisely for each clause. Also, the ruling the Execution Department stipulated the right to object by the two parties to the execution within a period of thirty days starting from the next day from the date of receiving the verdict copy, and the case is still pending with the concerned courts. The company has decided to provide a provision that covers all losses resulting from that operation in the amount of SR 68,699,441.

5) During the year 2017, the company reversed the increase in the previously formed asset exchange provision, amounting to SR 1,996,283, so that the balance of the asset exchange provision after reversing the increase amounted to SR 66,703,158.

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

   First: oblige Al-Baha Investment and Development Company to pay 3 million Saudi riyals to the Al- Sata'ah Modern general Contracting Company.

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

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

7) On April 19, 2018, the company filed an appeal with the Commercial Court in Jeddah. On November 5, 2018, the company received a report from a lawyer stating that the appealed judgment was overturned. On November 8, 2018, the company submitted the list objecting to the department's interpretation of the ruling, and on January 9, 2019, the Second Commercial Circuit of the Commercial Court in Jeddah decided to issue its preliminary ruling to adhere to its previous decision dated 19/6/1439 (H) which ruled that the term intended to oblige the parties to the lawsuits to complete the implementation of the contract concluded between them the subject of this case dated 03/03/1432 (H) and on February 24, 2019 (G), the company filed its appeal against the judgment received on January 27, 2019 (G). On 5/7/1442 (H) corresponding to February 17, 2021, the department decided to accept the objection in form and reject it in substance, and support the judgment of the Second Circuit (in the Commercial Court in Jeddah in the case) and the judge decided to implement the items referred to in Clause No. 6. Accordingly, the company decided to increase the provision for potential claims by an amount of SR 17,300,559, which was recorded in the statement of comprehensive income for the year ended on December 31, 2020.

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

9) The group provide a provision for the loss resulting from the bartering asset contract with the Al-Sata'ah Modern General Contracting Company, as the group's management believes that the assets that are supposed to be receives in barter transaction are not material and there is a significant decrease on them as a result of their obsolescence, and accordingly a provision was provided against them at the book value of performance obligations that the company is committed to providing to the other party as the best estimate of the value of losses according to the information available to the group's management. The following are the details of the net non-current assets held for sale as a result of the assets exchange agreement with the Al- Sata'ah Modern General Contracting Company.

Description	**The transferable book value of the performance obligation according to the barter agreement / December 31, 2023**	**The transferable book value of the performance obligation according to the barter agreement / December 31, 2022 (Adjusted)**	**The transferable book value of the performance obligation according to the barter agreement / January 1, 2022 (Adjusted)**
	(SR)	**(SR)**	**(SR)**
Account receivable aginst cash payment	-	-	7,000,000
Real estate - Taif lands	9,000,000	9,000,000	9,000,000
Poultry project land and its contents - Al-Aqiq	47,866,894	47,866,894	47,866,894
Investment in Al-Baha national College	17,136,823	17,136,823	17,136,823
Total	**74,003,717**	**74,003,717**	**81,003,717**
Provision for potential losses against non-current assets held for sale	(74,003,717)	(74,003,717)	(81,003,717)
Net	**-**	**-**	**-**
Provision for potential claims (*)	-	-	(3,000,000)

(*) The movement on the provision for potential claims was as follows:

	December 30, 2023	**December 31, 2022**	**January 1, 2022**
	(SR)	**(SR)**	**(SR)**
Balance at beginning of the year	-	3,000,000	84,003,717
Paid during the year	-	(3,000,000)	
Prior year's presentation adjustment (Note 28)			(81,003,717)
Balance at end of the year	**-**	**-**	**3,000,000**

14. Other credit balances

This item consists of the following:

	2023 (SR)	2022 (SR)
Advance payments from customers	2,074,086	2,087,599
Accrued expenses	3,045,888	3,629,091
Accrued bank interest	-	715,000
VAT	282,555	-
Other	6,806	31,182
Total	**5,409,335**	**6,462,872**

15. Auction shares deposits under settlement

The company obtained the approval of the Capital Market Authority on Rabi’ al-Awwal 25, 1430 H, corresponding to March 22, 2009, to sell the unpaid shares to collect the value of the last installment of (SR 2.5) per share. The company started the sale process on June 28, 2009 until December 31, 2009, (984,032 shares) were sold for an amount of (SR 14,325,234) according to the offers submitted in the auction, The amount was fully collected, the amount is (SR 2.5), which represents value of 25% of the remaining share value, thus the amount of SR 2,113,074 was used to complete the capital to become SR 150,000,000 million fully paid, while the remaining amount of SR 12,212,160, will be returned as a surplus to the shareholders who are late in paying the last installment, and whose shares were sold in auction. The remaining outstanding amount is SR 10.555.775 as of December 31, 2023 (December 31, 2022: SR 10,600,785).

On Rajab 20, 1443 H, corresponding to February 21, 2022, the company’s shareholders approved in the Extraordinary General Assembly to increase the company’s capital from SR 177,000,000 to SR 297,000,000, 12,000,000 shares were subscribed, 10,735,702 shares were sold to priority rights holders, and the number of unsubscribed shares reached 1,264,298 shares were sold at a value of SR 23,837,933, this resulted in an amount of SR 11,194,953 that will be refunded to the unsubscribed shareholders, and the remaining value amounted to SR 679.021 as of December 31, 2023 (December 31, 2022: SR 682,499).

16. Loans

On October 26, 2022, corresponding to Rabi’ al-Thani 1, 1444 , an agreement was signed between the Elegant Centers Co. Limited and the Arab National Bank to obtain a loan worth 50 million Saudi riyals, which represents the outstanding balance on December 31, 2022 . On January 22, 2023, corresponding to Jumada al-Akhirah 29, 1444 AH, the company paid the full value of the aforementioned loan.

17. Zakat provision

The movement on the Zakat provision was as follows:

	2023	2022
	(SR)	(SR)
Balance at beginning of the year	2,832,558	16,271,195
Charged during year	5,180,977	2,721,382
Paid during year	(2,188,403)	(16,160,019)
Balance at end of the year	**5,825,132**	**2,832,558**

The main elements of the Zakat base was as follows:

	2023	2022
	(SR)	(SR)
Shareholder's equity	224,700,754	190,095,677
Opening provisions and other adjustments	203,024,672	95,933,194
Book value of non-current assets	(236,528,260)	(177,646,554)
Total	**191,197,166**	**108,382,317**
Adjusted net income (loss) for the year	8,365,066	(2,894,703)
Zakat base	**199,562,232**	**105,487,614**

The Zakat status of the parent company:

All zakat and tax returns were submitted until the fiscal year ended on December 31, 2022, and the company obtained an installment plan for the zakat dues for the year 2022 by an amount of SR 2,661,573.

The final assessment was made by the Authority for the years from 2014 to 2018, and the company ended its zakat status with the Authority and paid all its zakat obligations pursuant to it.

During the fiscal year ending on December 31, 2021, the company received letters from the Authority requesting additional documents to examine the zakat and tax returns for the years 2019 and 2020. The Authority was provided with the required data, and no evaluation was issued against the company regarding it.

During the quarterly period ending on June 30, 2023, the company received letters from the Authority requesting additional documents to examine the zakat and tax returns for the years 2021 and 2022. The Authority was provided with the required data, and an initial zakat assessment was issued for these years with a total amount of SR 905,204. During the subsequent period of the financial statements, the Zakat, Tax and Customs Authority notified the company that the examination work for the years 2021 and 2022 had been completed and there is no amendments to the company’s zakat declarations for these years.

The Zakat status of the subsidiaries:

- **Elegant Centers Company Ltd**

  The company submitted all zakat and tax returns until the year 2022, and paid the zakat due based on the returns submitted to the Zakat, Tax and Customs Authority ("the Authority") and obtained a final certificate valid until 21/05/1445 (H) corresponding to 30/04/2024 (G).

  As of January 1, 2019, consolidated financial statements are prepared for the company and its subsidiary, which are submitted to the Authority as a single zakat group.

  During the fiscal year ending on December 31, 2022, the final assessment was made by the Authority for the year 2020 with a zakat claim in the amount of SR 53,012. The company ended its zakat status with the Authority and paid all its zakat obligations accordingly. No assessments were issued against the company for the years 2021 and 2022.

- **Ishraqa Regional Development and Real Estate Investment Company**

  The company has submitted all zakat and tax returns to the Authority until the fiscal year ended on December 31, 2022, and no assessments have been issued against the company by the Authority to date. Note that zakat is calculated on the basis of the consolidated zakat base within the zakat base of the Elegant Centers Company Ltd.

18. Employees defined benefit obligation

This item consists of the following:

	2023 (SR)	2022 (SR)
Balance at beginning of the year	262,858	197,602
Charged during the year	91,122	65,256
Paid during the year	(22,996)	-
Balance at end of the year	**330,984**	**262,858**

19. Share capital

On February 21, 2022, corresponding to Rajab 20, 1443 (H) the Extraordinary General Assembly approved the capital increase through priority rights shares for shareholders, with 12 million shares, for a total value of 120 million Saudi riyals, so that the capital after the increase became 297 million Saudi riyals, divided into 29.7 million ordinary shares at a nominal value of 10 riyals per share.

On Shawwal 21, 1443 (H) corresponding to May 22, 2022 (G), the Board of Directors recommended reducing the company's capital by 25% of the company's capital, which was SR 297,000,000, and after the reduction it became SR 222,750,000, a 25% reduction, so that the number of shares before the reduction: 29,700,000 shares, and the number of shares becomes After reduction: 22,275,000 shares.

The purpose of reducing the capital is to extinguish the company's accumulated losses in the amount of SR 74,250,000 by reducing the capital by amortizing 90.83% of the company's total losses amounting to 81,741,387 riyals as of March 31, 2022 and canceling 7,425,000 shares.

The members of the Board of Directors, in its meeting held via modern technology on Dhu al-Qi'dah 10. 1444 H corresponding to May 30, 2023 (G), unanimously agreed to split the nominal value of the shares of Al-Baha Investment and Development Company from ten riyals per share to SR 0.1 per share, while keeping the company's capital unchanged, and thus The number of shares of the company after the split will be 2,970,000,000 shares instead of 29,700,000 shares.

The company announced to the shareholders the Board of Directors' decision dated Dhul Hijjah 19, 1444 H corresponding to July 6, 2023 (G) to amend the Board's recommendation to the Extraordinary General Assembly related to a 30% capital reduction, which was SR 297,000,000, to become, after the reduction SR 207,900,000 .

The method of reducing the capital is by amortizing all the accumulated losses of the company amounting to SR 85,460,217 as of March 31, 2023, by reducing the nominal value of the share from (SR 0.10) SR ten halalas to (SR 0.07) SR seven halalas by deleting an amount of SR 89,100,000 from the company's current capital to extinguish all the company's accumulated losses without reducing the number of the company's current shares.

Number of shares before reduction: 2,970,000,000 ordinary shares (two billion nine hundred and seventy million ordinary shares with a nominal value of (SR0.10)).

The number of shares after the reduction: 2,970,000,000 ordinary shares (without change in the number of shares: two billion, nine hundred and seventy million ordinary shares, with a nominal value of "SR 0.07").

The method of reducing the capital will be through reducing the nominal value of the share from (SR 0.10) to a new nominal value of (SR 0.07) to become the new nominal value, after the approval of the extraordinary general assembly to reduce the company's capital. The regulatory procedures for this were not completed up to the date of issuance of these financial statements.

20. Cost of revenues

This item consists of the following:

	2023	2022
	(SR)	(SR)
Amortization of right of use assets	1,704,860	3,939,877
Depreciation of Investments property	1,859,378	1,066,150
Repair and Maintenance	411,249	327,010
Electricity and water	413,360	363,346
Total	**4,388,847**	**5,696,383**

21. General & Administrative expenses

This item consists of the following:

	2023	2022
	(SR)	(SR)
Salaries , wages and other benefits	1,776,914	1,581,318
Professional and legal expenses	1,348,898	871,639
Governmental expenses	206,274	173,647
Amortization of intangible assets	11,158	11,720
Depreciation of property and equipment	82,004	64,448
Rents	27,500	30,000
Insurance	78,620	78,044
Other	146,791	403,271
Total	**3,678,159**	**3,214,087**

22. IPO expenses

During the year 2022, the company increased the capital and the company incurred underwriting expenses amounting to SR 3,995,600 for the year ending on December 31, 2022.

23. Finance cost

This item consists of the following:

	2023	2022
	(SR)	(SR)
Finance cost for lease liability	501,505	1,778,783
Finance cost for loan	242,000	972,833
Total	**743,505**	**2,751,616**

24. Other Income

This item consists of the following:

	2023	2022
	(SR)	(SR)
Income from disposal right of use assets	-	1,437,800
Resolved cases against lessors	-	547,130
Lease liability settlement against other income	-	365,594
Scrap sales	-	290,435
Expected credit loss no longer needed	-	216,286
Other	74,845	120,929
Total	**74,845**	**2,978,174**

25. Basic and diluted earnings (loss) per share for the shareholders of the parent company

Earnings per share are calculated on the basis of the net results for the year attributable to the shareholders of the parent company divided by the weighted average number of issued shares. Diluted earnings per share is the same as basic earnings since the Group had no dilutive instruments issued during the period.

As shown in note (19) about capital, during the current period the nominal value of the company's shares was divided from ten riyals per share to ten halalas per share, while the company's capital unchanged, and in accordance with the requirements of IAS (33), the Weighted average for number of shares has been adjusted retrospective for all periods presented.

	2023	2022
	(SR)	(SR)
Net income (loss) for Shareholders of the parent company	3,496,076	(7,975,100)
Weighted average number of shares:	**Share**	**Share**
Shares issued at the beginning of the year	2,970,000,000	1,770,000,000
Impact of shares issued on March 23, 2022 (12 million shares)	-	2,970,000,000
Weighted average number of shares - after adjustment	2,970,000,000	2,703,698,600
The basic and diluted share of profit (loss) to shareholders of the parent company	0.001177	(0.002950)

26. Lawsuits

- A case filed between Al Baha Company for Investment and Development and Al- Sata'ah Modern General Contracting Company. The details of the case have been clarified in note (13).
- Case filed by Elegant Centers Co. Ltd. regarding rents and related items, with a claim value of SR 694,245 and the financial value of the adjudicated cases, which are still being implemented and are being worked on, amounted to SR 252,500. The company has recorded a provision for the related receivables.
- Pending cases filed by Ishraqa Regional Real Estate Development and Investment Company regarding rentals and related annexes with claims amounting to SR 701,181,and the financial value of the adjudicated cases, which are still being implemented and are being worked on amounted to SR 1,433,536. The company has recorded a provision for the related receivables.

27. Segments Information

The following is the significant segment information that the Group has at the date of the interim condensed consolidated financial statements:

	2023			2022		
Description	**Assets**	**Liabilities**	**Total comprehensive income comprehensive) (Loss**	**Assets**	**Liabilities**	**Total comprehensive income comprehensive) (Loss**
	(SR)	**(SR)**	**(SR)**	**(SR)**	**(SR)**	**(SR)**
Head quarters	22,272,223	20,511,541	(6,144,907)	32,807,220	18,669,121	(7,176,637)
Rentals	247,071,393	14,544,156	11,086,687	281,703,310	66,505,270	(918,233)
Total	**269,343,616**	**35,055,697**	**4,941,780**	**314,510,530**	**85,174,391**	**(8,094,870)**

Geographical area : The company provides all its services within a specific economic environment within the Kingdom of Saudi Arabia.

28. Prior year's presentation adjustment

The group applied IFRS No. (5) "Non-current Assets Held for Sale and Discontinued Operations", as this standard requires that assets that meet the criteria for classification as held for sale be measured at book amount or fair value less selling costs, whichever is less and that the depreciation of those assets be stopped, and that the assets that meet the criteria for classification as held for sale be presented separately in the statement of financial position and that the results of non-continuing operations be presented separately in the statement of comprehensive income, and accordingly the group's management has reclassified these assets (note 13) to a separate item under the name of non-current assets held for sale.

In addition, the group's management excluded an amount of SR 7,000,000 from receivables against cash payment paid at the beginning of the agreement, whose presentation was modified to be under the item of non-current assets held for sale during the year 2022 due to the issuance of the final decision to implement the items mentioned in note (13) during this year, the same amount was deducted from the related provision.

Some comparative figures for accounts receivable, other receivable balances and payments made by customers have been reclassified to conform to the presentation of the current year's figures.

The following is a summary of the impact of these amendments:

Description	Balance before adjustment Debit (Credit)	Adjustments as of January 1, 2022 Debit (Credit)	Balance after adjustment Debit (Credit)
	(SR)	(SR)	(SR)
Receivables - net / receivable against a cash payment and the contents of the poultry project l	16,962,902	(15,542,906)	1,419,996
Long-term investments / investment in Al-Baha National College	17,136,823	(17,136,823)	-
Advance payments for the purchase of investment properties / Tail land properties	9,000,000	(9,000,000)	-
Property and equipment - net / poultry project land	39,620,062	(39,323,988)	296,074
Non-current assets held for sale	-	81,003,717	81,003,717
Provision for expected losses against non-current assets held for sale	-	(81,003,717)	(81,003,717)
Provision for potential claims	(84,003,717)	81,003,717	(3,000,000)
Net		-	

Description	Balance before adjustment debit (credit)	Adjustments as of December 31, 2022 debit (credit)	Balance after adjustment Debit Credit)
	(SR)	(SR)	(SR)
Receivables - net / receivable against a cash payment and the contents of the poultry project l	18,014,005	(14,102,685)	3,911,320
Long-term investments / investment in Al-Baha national College	17,136,823	(17,136,823)	-
Advance payments for the purchase of investment properties / Tail land properties	9,000,000	(9,000,000)	-
Property and equipment - net / poultry project land	39,527,589	(39,323,988)	203,601
Non-current assets held for sale	-	81,003,717	81,003,717
Provision for expected losses against non-current assets held for sale	-	(81,003,717)	(81,003,717)
Provision for potential claims	(81,003,717)	81,003,717	-
Other debit balances	4,737,422	(2,213,325)	2,524,097
Advance payment from customers	(2,860,703)	773,104	(2,087,599)
Net		-	

29. Financial Risk Management

- The group's principal financial liabilities comprises of bank facilities, trade and other payables and due to related parties balance. The main purpose of these financial liabilities is to finance the Company's operations. The Company principal financial assets include cash and cash equivalents, trade and other receivables and due from related parties that arrive directly from its operation.
- The group is exposed to market risk, credit risk, liquidity risk and environmental and climatic changes risk. The Company's senior management oversees the management of these risks. There is no financial risk committee appointed by the Company to support senior management in risk management. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below:

a) Capital Risk:

The components of capital are reviewed on a regular basis and the cost of capital and the risks associated with it are taken into account. Capital is controlled to ensure business continuity and increase returns by achieving the optimal balance between equity and debt. Net debt is calculated on the basis of total loans (including loans Current and non-current as stated in the financial position) minus cash and bank balances. Total capital is calculated on the basis of equity as shown in the financial position plus net debt.

b) Foreign Currency Risk:

- Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.
- Exchange rate risk arises as a result of executing commercial transactions in foreign currencies, which imposes a certain type of risk as a result of fluctuations in the exchange rates of these currencies during the year.

c) Interest Rate Risk:

- Interest rate risk is the risk that the value of a financial Instrument will fluctuate due to changes in market interest rates.
- The risk arises on exposure to a fluctuation in market interest rates resulting from depositing in bank and borrowings.

d) Other price risk:

- The risk arising from the fluctuation of the fair value or future cash flows of a financial instrument due to changes in market prices (excluding those arising from interest rate risk or exchange rate risk) Whether these changes are caused by factors specific to the individual financial instrument or the entity that issued it, or factors affecting all similar financial instruments traded in the market.
- The risk arises from investing in equity instruments.
- The Company is not subject to other price risk.

e) <u>Credit Risk:</u>

- Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- Credit policies are maintained to state dealing with only creditworthy parties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.
- Regularly, the credit ratings of debtors and the volume of transactions with those debtors during the period are monitored.
- Ongoing credit evaluation is performed on the financial condition of debtors.
- The carrying amount of financial assets recorded in the financial statements represents the maximum exposure to credit risk without taking into account the value of any collateral obtained.
- Refer to Note No. (5), which shows the time analysis of the aging of receivables and the provision for expected credit losses.

f) <u>Liquidity Risk:</u>

- Liquidity risk, also referred to as funding risk, is the risk that the Company will encounter difficulties in raising funds to meet its commitments.
- The Company manages liquidity risk by maintaining adequate reserves and continuously monitoring forecast and actual cash flows.
- Below are the details of working capital:

	2023	2022
	(SR)	(SR)
Current assets	10,656,292	57,386,158
Current liabilities	25,328,389	74,114,214
Net	**(14,672,097)**	**(16,728,056)**

- The deficit in working capital amounted to SR 14,672,097 as of December 31, 2023 (16,728,056: as of December 31, 2022). The group's management does not believe that there are significant problems regarding liquidity to meet future obligations.

– The following is a maturity analysis of assets and liabilities at the date of the financial statements:

	2023			2022		
Description	**During 12 months**	**After 12 months**	**Total**	**During 12 months**	**After 12 months**	**Total**
Assets	**(SR)**	**(SR)**	**(SR)**	**(SR)**	**(SR)**	**(SR)**
Cash and cash equivalents	7,229,551	-	**7,229,551**	50,950,741	-	**50,950,741**
Trade receivables - net	3,213,649	-	**3,213,649**	3,911,320	-	**3,911,320**
Other debit balances - net	71,178	-	**71,178**	2,524,097	-	**2,524,097**
Due from related parties	141,914	-	**141,914**	-	-	-
Total	**10,656,292**	-	**10,656,292**	**57,386,158**	-	**57,386,158**
Liabilites						
Accounts payable	937,461	-	**937,461**	937,461	-	**937,461**
Other credit balances	5,409,335	-	**5,409,335**	6,462,872	-	**6,462,872**
Auction shares deposits under settlement	11,234,796	-	**11,234,796**	11,283,284	-	**11,283,284**
Due to related parties	-	-	-	-	-	-
Lease liability	1,921,665	9,406,324	**11,327,989**	2,598,039	10,797,319	**13,395,358**
Loan	-			50,000,000	-	**50,000,000**
Total	**19,503,257**	**9,406,324**	**28,909,581**	**71,281,656**	**10,797,319**	**82,078,975**

g) Fair value:

The carrying amounts of financial instruments is approximate equal to the fair value.

30. New and Revised International Financial Reporting Standards and Interpretations

a) New and revised IFRSs and interpretations that became effective:

The following amended IFRSs, that became effective, were adopted for the financial periods starting on or after 1 January 2023 in the preparation of the Company's financial statements. The adoption of the mentioned amendments did not materially affect the amounts and disclosures included in the financial statements of the current year. The following table summarizes the details of the amendments:

IFRS or Interpretation	Effective Date
IFRS 17, *insurance contracts*	January 1, 2023
Disclosure of accounting policies Amendments to International Accounting Standard No. (1) and Statement of Practice No. (2)	January 1, 2023
Definition of accounting estimates Amendments to IAS 8,	January 1, 2023
Amendments to IAS 12, *income taxes* *The deferred tax related to assets and liabilities arising from a single transaction.*	January 1, 2023
Initial Application of IFRS 17 and IFRS 9—Comparative Information (amendment to IFRS 17)	January 1, 2023
Amendments to IAS(12) Tax reform at the international level - the rules of the second pillar model	January 1, 2023

b) New and revised IFRSs and interpretations that are not effective yet

The Company did not adopt any of the following new amended standards that were issued but not yet effective:

IFRS or Interpretation	Effective Date
Amendments to IAS No. (1) when classifying liabilities as current and non-current, and non-current liabilities with commitments	January 1, 2024
Amendments to IFRS 16, *leases* *Lease liability in a sale and leaseback*	January 1, 2024
Amendments to IAS (7) and IFRS (7) enhance disclosures of supplier financing procedures regarding the entity's obligations	January 1, 2024
Amendments to IFRS 10 and IAS 28 - *Sales or contributions of assets between an investor and its associate or joint venture*	Postponing the effective date indefinitely
IFRS (S1) - General requirements for the disclosure of sustainability-related financial information, and IFRS (S2) - Climate-related disclosures.	January 1, 2024 (The application depends on the regulatory authorities adopting the two standards)
Amendments to IAS (21) Inability to exchange a foreign currency	January 1, 2025

The management of the group does not expect that these standards will have a material impact on the financial statements when applied in future financial periods.

31. Approval of financial statements

These consolidated financial statements were approved for issuance by the Board of Directors on Ramadan 17 1445 corresponding to March 27, 2024.

32. General

The figures in the consolidated financial statements are rounded to the nearest Saudi Riyal