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

CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

INDEX	**PAGE**

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

Head office: Moon Tower - 8 Floor
P.O. Box 8736, Riyadh 11492
Unified Number : 92 002 4254
Fax : +966 11 278 2883

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

Opinion
We have audited the consolidated financial statements of Saudi Industrial Development Company (SIDC) - A Saudi Joint Stock Company ("the Company") and its Subsidiaries ("the Group''), which comprise of the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements from (1) to (34), including a summary of significant accounting policies.

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

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in *"the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements"* section of our report. We are independent of the Group in accordance with professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

We have fulfilled the responsibilities described in "the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement in the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Head office: Moon Tower - 8 Floor
P.O. Box 8736, Riyadh 11492
Unified Number : 92 002 4254
Fax : +966 11 278 2883

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

Key Audit Matters (Continued)

Revenue recognition	
Key audit matters	**How the matter was addressed in our audit**
The Group has recognized operating income of SR 155.3 million as at 31 December 2022 (31 December 2021: SR 163 million). The Group recognizes revenue at the time control of the goods is transferred to the customer, generally upon delivery of the goods. Revenue is a key audit matter as management is required to establish the fact that control of the goods has been transferred at the time of delivery in accordance with IFRS 15 "Revenue from Contracts with Customers". Refer to note 3 for the accounting policy and note 22 for the relevant disclosures.	The audit procedures for assessing revenue recognition include the following: • Evaluation of the Group policy in the recognition of revenue in accordance with the requirements of International Financial Reporting Standard (15) "Revenue from contracts with customers". • Testing a sample of sales and matching it with sales invoices, sales orders and other relevant documents. In addition to the samples selected, we have verified that revenue is recognized on delivery in accordance with IFRS 15. • Testing a sample of the revenues that took place before and after the end of the year and matching the period in which the revenue is recognized with the documents of external parties such as the transport invoice and the customer's confirmation of receipt of the goods. • Assessing the adequacy of the relevant disclosures.

Inventory Valuation	
Key audit matters	**How the matter was addressed in our audit**
As at December 31, 2022, the Group's inventory balance amounting SR 37,3 million (December 31, 2021: SR 45.4 million), after deducting the inventory impairment amount of SR 6.9 million (December 31, 2021: SR 5.9 million). Inventory is included at cost or net realizable value, whichever is lower. On the date of each report, the management reviews the inventory valuation and reduces the cost of the inventory expected to be sold by less than the cost. We have considered this as a key audit matter due to the key assumptions applied by management in determining the slow-moving inventory provision and to record the inventory at it's net realizable value. Refer to note 3 for accounting policy and note 10 for related disclosures.	The audit procedures to determine the evaluation of inventory include the following: • Assess the appropriateness of the Group's accounting policies to evaluate the inventory and measuring it in line with the requirements of the relevant accounting standard. • Test the net realizable value on a sample basis by comparing the cost with the estimated selling price, less the estimated cost to sell and any other costs required to complete the sale. • Assess the adequacy of the slow-moving inventory provision. • Assessing the adequacy of the relevant disclosures.

Other matter

The Group's consolidated financial statements for the year ended 31 December 2021 were audited by another auditor, who issued a qualified opinion on the financial statements in his report dated 31 March 2022 (corresponding to 28 Sha'ban 1443 H).

Head office: Moon Tower - 8 Floor
P.O. Box 8736, Riyadh 11492
Unified Number : 92 002 4254
Fax : +966 11 278 2883

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

Other information included in the Group's 2022 annual report

Other information consists of the information included in the Group's 2022 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

Head office: Moon Tower - 8 Floor
P.O. Box 8736, Riyadh 11492
Unified Number : 92 002 4254
Fax : +966 11 278 2883

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

For BDO Dr. Mohamed Al-Amri & Co

Maher Al-Khatib
Certified Public Accountant
Registration No. 514

24/10/1444 (H)
14/05/2023 (G)

د. محمد العمري وشركاه - محاسبون قانونيون
شركة مهنية رقم ٣٢٣/١١/٦٦
س.ت ٤٠٣٠٢٧٥٣٣٠
Jeddah
Certified Public Accountants
Dr. Mohamed Al-Amri & Co.

SAUDI INDUSTRIAL DEVELOPMENT COMPANY (SIDC)
SAUDI JOINT STOCK COMPANY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022
(Saudi Riyal)

ASSETS	Note	2022	2021
NON-CURRENT ASSETS			
Property, plant, and equipment	5	**68,987,803**	83,826,105
Goodwill	6	**62,356,409**	62,356,409
Right of use assets	7	**8,802,350**	10,559,060
Intangible assets	8	**135,941**	229,015
Advance payments on operating lease		**-**	110,021
Financial assets at fair value through other comprehensive income (FVOCI)	9	**52,249,785**	60,254,333
TOTAL NON-CURRENT ASSETS		**192,532,288**	217,334,943
CURRENT ASSETS			
Inventory	10	**37,277,241**	45,433,146
Other current assets	11	**4,910,515**	4,673,647
Trade receivables	12	**14,261,168**	17,731,463
Financial assets at fair value through profits or losses	13	**9,250,389**	3,935,020
Assets Held for Sale	5 (E)	**875,945**	-
Cash and cash equivalents	14	**17,251,994**	11,820,045
TOTAL CURRENT ASSETS		**83,827,252**	83,593,321
TOTAL ASSETS		**276,359,540**	300,928,264
EQUITY AND LIABILITIES			
EQUITY			
Share capital	1	**400,000,000**	400,000,000
Foreign currency translation reserve	15	**(41,878,370)**	(32,241,605)
Fair value change reserve	9 (D)	**(130,865,504)**	(116,223,833)
Re-measurement reserve of defined benefit obligations		**2,855,501**	(42,262)
Accumulated losses		**(63,203,294)**	(47,480,087)
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY		**166,908,333**	204,012,213
Non-controlling interest	16	**8,088,416**	7,325,950
TOTAL EQUITY		**174,996,749**	211,338,163
NON-CURRENT LIABILITIES			
Employee benefit obligations	17	**13,786,735**	16,113,008
Lease liabilities - non-current portion	7	**5,474,843**	7,727,363
Deferred tax liabilities	18	**528,620**	782,969
TOTAL NON-CURRENT LIABILITIES		**19,790,198**	24,623,340
CURRENT LIABILITIES			
Zakat and income tax payable	18	**5,630,699**	7,533,528
Accrued expenses and other current liabilities	19	**12,995,516**	13,150,846
Lease liabilities - current portion	7	**5,414,073**	4,688,151
Underwriting surplus	20	**6,350,898**	6,350,898
Credit facilities	21	**25,218,180**	4,032,949
Trade payable		**25,963,227**	29,210,389
TOTAL CURRENT LIABILITIES		**81,572,593**	64,966,761
TOTAL LIABILITIES		**101,362,791**	89,590,101
TOTAL EQUITY AND LIABILITIES		**276,359,540**	300,928,264

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

The attached notes 1 to 34 form an integral part of these consolidated financial statements

SAUDI INDUSTRIAL DEVELOPMENT COMPANY (SIDC)
SAUDI JOINT STOCK COMPANY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
AS AT 31 DECEMBER 2022
(Saudi Riyal)

	Note	2022	2021
Revenue	22	**155,347,238**	163,078,518
Cost of revenue	23	**(133,283,043)**	(136,270,301)
Gross profit		**22,064,195**	26,808,217
Selling and distribution expenses	24	**(19,150,347)**	(15,095,979)
General and administrative expenses	25	**(33,394,104)**	(31,837,777)
Impairment of property, plant and equipment	5 (D)	**(3,106,290)**	-
Impairment of Current Assets	26	**(8,276,646)**	(8,460,603)
Loss from operations		**(41,863,192)**	(28,586,142)
Realized gain from financial assets at fair value through profit or loss		**-**	439,849
Unrealized gain from the financial assets at fair value through profit or loss	13	**990,478**	612,802
Dividends from the financial assets at fair value		**1,325,076**	1,531,528
Finance cost	27	**(1,350,469)**	(913,219)
Other income	28	**3,318,322**	6,544,551
Net Loss before zakat and income tax		**(37,579,785)**	(20,370,631)
Zakat reverse (zakat during the year)	18	**537,004**	(2,125,744)
income tax and Deferred tax	18	**(1,103,993)**	(1,234,119)
Net Loss for the year		**(38,146,774)**	(23,730,494)
Loss attributable to:			
Parent Company shareholders		**(38,772,314)**	(24,495,507)
Non-controlling interests		**625,540**	765,013
		(38,146,774)	(23,730,494)
Other Comprehensive income items:			
Items that are classified subsequently to the statement of profit or loss:			
Changes in foreign currency translation reserve	15	**(9,636,765)**	38,149
Items that are non-classified subsequently to the consolidated statement of profit or loss:			
Realized profits from financial assets at fair value through other comprehensive income	9	**23,049,107**	2,208,161
Unrealized profits / (losses) from financial assets at fair value through other comprehensive income	9	**(14,641,671)**	16,883,185
Change in assumptions of employee defined benefits' liabilities		**3,034,689**	(1,070,003)
Total comprehensive income		**1,805,360**	18,059,492
Net comprehensive Loss for the year		**(36,341,414)**	(5,671,002)
Net comprehensive (Loss) income attributable to:			
Parent Company shareholders		**(37,103,880)**	(6,404,094)
Non-controlling interests		**762,466**	733,092
		(36,341,414)	(5,671,002)
Loss per share			
The weighted average number of shares	29	**40,000,000**	40,000,000
Loss per share from operations	29	**(1.05)**	(0,71)
Loss for the year attributable to shareholders (Basic and diluted)	29	**(0.97)**	(0,61)

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

The attached notes 1 to 34 form an integral part of these consolidated financial statements

SAUDI INDUSTRIAL DEVELOPMENT COMPANY (SIDC)
SAUDI JOINT STOCK COMPANY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022
(Saudi Riyal)

	Share Capital	Foreign currencies translation reserve	Fair value change reserve	Re-measurement reserve of employee benefit obligations	Accumulated Losses	Total equity attributable to shareholders of the Parent Company	Equity for non-controlling interests	Total Equity
Balance at 1 January 2021	400,000,000	(32,279,754)	(133,107,018)	995,820	(25,192,741)	210,416,307	6,592,858	217,009,165
Net loss for the year	-	-	-	-	(24,495,507)	(24,495,507)	765,013	(23,730,494)
Other comprehensive income	-	38,149	16,883,185	(1,038,082)	2,208,161	18,091,413	(31,921)	18,059,492
Total comprehensive loss	-	38,149	16,883,185	(1,038,082)	(22,287,346)	(6,404,094)	733,092	(5,671,002)
Balance at 31 December 2021	400,000,000	(32,241,605)	(116,223,833)	(42,262)	(47,480,087)	204,012,213	7,325,950	211,338,163
Balance at 1 January 2022	**400,000,000**	**(32,241,605)**	**(116,223,833)**	**(42,262)**	**(47,480,087)**	**204,012,213**	**7,325,950**	**211,338,163**
Net loss for the year	**-**	**-**	**-**	**-**	**(38,772,314)**	**(38,772,314)**	**625,540**	**(38,146,774)**
Other comprehensive income	**-**	**(9,636,765)**	**(14,641,671)**	**2,897,763**	**23,049,107**	**1,668,434**	**136,926**	**1,805,360**
Total comprehensive loss	**-**	**(9,636,765)**	**(14,641,671)**	**2,897,763**	**(15,723,207)**	**(37,103,880)**	**762,466**	**(36,341,414)**
Balance at 31 December 2022	**400,000,000**	**(41,878,370)**	**(130,865,504)**	**2,855,501**	**(63,203,294)**	**166,908,333**	**8,088,416**	**174,996,749**

Finance Manager

Name: Mr. Ahmed Shitaiwi
Signature:

Deputy Chairman and managing director

Name: E. Bandar ALhomaidhi
Signature:

The attached notes 1 to 34 form an integral part of these consolidated financial statements

SAUDI INDUSTRIAL DEVELOPMENT COMPANY (SIDC)
SAUDI JOINT STOCK COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022
(Saudi Riyal)

	Note	2022	2021
Cash flows from operating activities:			
Net Loss before zakat and income tax		**(37,579,785)**	(20,370,631)
Adjustment to reconcile operating income to net cash flows:			
Depreciation of right of use assets	7	**5,579,346**	4,162,683
Depreciation of property, plant and equipment	5	**10,547,145**	10,261,767
Amortization of intangible assets	8	**93,074**	332,346
Impairment of property, plant and equipment	5	**3,106,290**	-
Profits from sale of property, plant and equipment	28	**(21,724)**	-
Unrealized gain from financial assets at fair value through profit or loss	13	**(990,478)**	(612,802)
Realized gain from financial assets at fair value through profit or loss		**-**	(439,849)
Amortization of Advance payments on operating lease		**110,021**	151,174
inventory Impairment	10	**6,854,576**	5,877,662
Trade receivables Impairment	12	**1,422,070**	1,498,574
Other current assets Impairment	11	**-**	1,084,367
Write-off of employee benefit obligations	17	**(50,895)**	-
Employee benefit obligations provision	17	**2,428,317**	2,776,545
Finance costs	27	**915,161**	-
Changes in operating assets and liabilities:			
Trade receivable	12	**2,048,224**	(3,187,570)
Inventory	10	**1,301,329**	(4,118,411)
Other current assets	11	**(236,868)**	2,921,924
Trade payables		**(3,247,162)**	7,337,203
Deferred tax liabilities	18	**(254,349)**	75,826
Accrued expenses and other current liabilities	19	**(155,331)**	(768,325)
		(8,131,039)	6,982,483
Zakat and income tax paid	18	**(1,957,465)**	(4,734,830)
Employee benefits paid	17	**(1,659,030)**	(1,359,707)
Net cash (used in) generated from operating activities		**(11,747,534)**	887,946
Cash flows from Investing activities			
Purchase of Property, plant, and equipment	5	**(2,514,125)**	(4,189,366)
Gain from sale Property, plant, and equipment	5	**31,687**	-
Net Changes in financial assets at fair value		**32,088,147**	831,501
Net cash generated from (used in) investing activities		**29,605,709**	(3,357,865)
Cash flows from Financing activities			
Lease liabilities paid	7	**(5,466,396)**	(2,738,830)
Net cash used in financing activities		**(5,466,396)**	(2,738,830)
Net change in cash and cash equivalents		**12,391,779**	(5,208,749)
Cash and cash equivalents at beginning of the year	14	**11,820,045**	16,980,510
Foreign currency translation differences		**(6,959,830)**	48,284
Cash and cash equivalents at end of the year	14	**17,251,994**	11,820,045
Significate Non-cash Transaction			
Realized gain from financial assets at fair value through Other Comprehensive Income	9	**23,049,107**	2,208,161
Purchase of financial assets at fair value through other comprehensive income through credit facilities	21	**20,000,000**	-
Unrealized (loss) gain from financial assets at fair value through Other Comprehensive Income	9	**(14,641,671)**	16,883,185
Transfers from property, plant and equipment to assets held for sale	5	**875,945**	-

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

The attached notes 1 to 34 form an integral part of these consolidated financial statements

(Saudi Riyal)

1. CORPORATE INFORMATION

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

The Company authorized, issued, and fully paid share capital is SR 400 million which is divided into 40 million shares stated at SR 10 each (2021: 40 million shares stated at SR 10 each).

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

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

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

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

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

Branches of the company in the kingdom of Saudi Arabia:

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

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

2. BASIS OF PREPARATION

2.1 Basis of preparation

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

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

2.2 Functional and presentation currency

The consolidated financial statements are presented in Saudi riyals (SR), the Company's functional and reporting currency.

2.3 Continuity of the group and accumulated losses

The Group incurred a net loss of Sar 38.8 million for the year ended December 31, 2022 (year ended December 31, 2021: net loss of Sar 24.5 million).

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

The following are the main actions that management took into account when processing financial performance and working capital:
* The Group's ability to meet its business plan and operational expectations for 2023.
* Renew renewable facilities when due.

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

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 new standards, amendments to standards and interpretations:

The Group adopted the following new standards and amendments for the first time as of January 1, 2022:

1. **New standards, interpretations and amendments are effective in the current year Amendments to International Financial Reporting Standard No. 3 and international accounting standards No. 16 and 37**

IFRS No. 3," business consolidation " an update of a reference in IFRS No. 3 to the conceptual framework of financial reporting without changing the accounting requirements for business consolidation.
IAS 16, "property, machinery and equipment" prohibits a company from deducting from the cost of property, machinery and equipment the amounts received from the sale of items produced during the company's preparation of the asset for its intended use. Instead, the Group will recognize these sales proceeds and related costs in the statement of comprehensive income.
IAS 37, "possible provisions, liabilities and assets" defines the costs that a Group includes when assessing whether a contract will cause a loss.
The application of these amendments does not have any material impact on the Group's consolidated financial statements during the year.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 new standards, amendments to standards and interpretations (Continued):

2. Issued standards that have not yet been applied

The following is a statement of the new standards and amendments to the standards applied for the years beginning on or after January 1, 2023, with early application allowed, but the company did not apply them when preparing these financial statements.

A) amendments to IAS 1, "presentation of financial statements", to the classification of liabilities.

These narrow-scope amendments to IAS 1, "presentation of financial statements" make it clear that liabilities are classified as current or non-current, depending on the rights that exist at the end of the reporting period. The rating is not affected by the expectations of the enterprise or by events after the reporting date (for example, receipt of a waiver or breach of an undertaking). The amendment also clarifies what IAS 1 means when it refers to the "settlement" of an obligation.

B) amendments to IAS 1, Statement of practice No. 2 and IAS 8

The amendments are aimed at improving the disclosures of accounting policy and helping users of financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

C) amendment to IAS 12-deferred tax on assets and liabilities arising from a single transaction

These amendments require companies to prove deferred tax on transactions that, upon initial proof, result in equal amounts of deductible and taxable temporary differences.

The application of these amendments has no material impact on the Group's consolidated financial statements during the year.

3.2 Basis of consolidation

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Basis of consolidation (Continued)

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

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

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

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

Below are the details of the subsidiary:

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

3.SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Basis of consolidation (Continued)

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

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

Non-controlling interests

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

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

Business combinations and Goodwill

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

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

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

3.SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Basis of consolidation (Continued)

Business combinations and Goodwill (Continued)

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

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

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

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

3.3 Current versus non-current classification

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

All other assets are classified as non-current.

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

The Group classifies all other liabilities as non-current.

3.SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Fair value measurement financial instruments

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

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

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

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

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

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

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

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

3.5 foreign currency transactions and balances

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

3.6 Property, plant and equipment

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

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

(Saudi Riyal)

3.SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Property, plant and equipment (Continued)

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

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

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

3.7 Intangible assets

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

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

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

Computer programs and systems	10 years

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

3.SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Intangible assets (Continued)

Goodwill

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

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

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

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

3.8 Leases

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

Group as a lessee

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

i. Right-of-use assets

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

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

ii. Lease liabilities

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

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments

3.SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Leases (Continued)

Resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

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

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

3.9 Borrowing costs

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

3.10 Financial instruments

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

1) Financial assets

Initial recognition and measurement

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

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

In order for a debt financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding.

This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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

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

3.SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Financial instruments (Continued)

1) Financial assets (Continued)

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through comprehensive income.

Financial assets at amortized cost (debt instruments)

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

Financial assets designated at fair value through OCI (equity instruments)

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

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

Financial assets at fair value through profit or loss

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

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is primarily derecognized (i.e., removed from the Group’s consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.
Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

3.SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Financial instruments (Continued)

1) Financial assets (Continued)

Impairment of financial assets

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

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

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

The Group considers a financial asset in default when contractual payments are 90 days past due. owever, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before considering any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2) Financial liabilities

Initial recognition and measurement

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

Subsequent measurement

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

Financial liabilities at amortized cost (Loans and borrowings)

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

Derecognition

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

3.SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Financial instruments (Continued)

3) Offsetting of financial instruments

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

3.11 Inventories

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

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

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

3.12 Impairment of non-financial assets

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

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

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

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

3.13 Cash and cash equivalents

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

3.SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Provisions

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

3.15 Employee benefits obligations

1) Short-term obligations

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

2) Defined benefit plans

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

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

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

Current and past service costs related to post-employment benefits are recognized immediately in the consolidated statement of comprehensive income while unwinding of the liability at discount rates used are recorded as financial cost.

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

3.16 Revenue from contracts with clients

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

Sale of goods

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

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

3.SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Revenue from contracts with clients (Continued)

Variable consideration

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

Rights of return

Certain contracts provide a customer with a right to return the goods within a specified period. The Group uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Group recognizes a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognized for the right to recover products from a customer.

Transportation services

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

3.17 Expenses

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

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

3.18 Zakat and income tax

1) Zakat

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

2) Income tax

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

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial statements at the financial position date. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

3.SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Zakat and income tax (Continued)

2) Income tax (Continued)

Deferred tax assets are recognized for all deductible temporary differences, unused tax discounts and unused tax losses, to the extent that these temporary differences can be deducted from taxable profit, except:

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

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

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

Current and deferred tax relating are recognized as revenue or expense in the consolidated statement of comprehensive income.

Current and deferred tax related to transactions or events is directly recognized in the shareholders' equity. It is directly recognized in the shareholders' equity deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to use current tax assets to settle current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3) Value addition tax (VAT)

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

3.19 Foreign currencies

1) Transactions and balances

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

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

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

3.SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.19 Foreign currencies (Continued)

1) Transactions and balances (Continued)

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

2) Group's Companies

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

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

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

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

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

4. CRITICAL JUDGEMENTS, SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

1) Critical judgements

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

A) Component parts of property, plant and equipment

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

4.CRITICAL JUDGEMENTS, SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

B) Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

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

C) Determination of control

Management has taken into account the accounting treatment and principles contained in IFRS No. 10 "consolidated financial statements"
It determined that some of the facilities were controlled by Sadiq. To determine the appropriate accounting treatment of the subsidiary, Management Applied Material provisions.
If the management provisions change, this will lead to the de-unification of these enterprises and instead they will be treated as a joint arrangement or an associate company.
These entities currently have consolidated assets and liabilities that affect the Consolidated Statement of financial position and the Consolidated Statement of comprehensive income (Note 16).

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

* The management assmbly of the other partner in the subsidiary company (Emmdad) are members in the Board of Directors.
* The contribution of the parent company and its subsidiaries to the activity revenues of Emmdad support services company is 60% (December 31, 2021: 61%).

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

2) Estimates and assumptions

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

A) Useful life of property, plant and equipment

The Group's management determines the estimated useful lives of its intangible assets for calculating amortization. This estimate is determined after considering the expected benefit obtained from the usage of the intangible assets. Management reviews the carrying value and useful lives annually and future amortization charge would be adjusted where the management believes the useful lives differ from previous estimates.

4.CRITICAL JUDGEMENTS, SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

2) Estimates and assumptions (Continued)

B) Impairment of non-financial assets

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

C) Provision for expected credit losses of trade receivables

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

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

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

D) Taxes

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

E) Employee benefit liabilities

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

4.CRITICAL JUDGEMENTS, SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

E) Employee benefit liabilities (Continued)

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

F) Fair value measurement of financial instruments

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

G) Leases - Estimating the incremental borrowing rate

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

H) Impairment of inventories

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

I) Goodwill-the annual test of the fall in the value of Goodwill

Tests are carried out for the fall in the value of goodwill for the set of cash-generating units to which the goodwill is allocated. A set of cash-generating units is determined based on certain acquisitions and cash-generating units resulting from such acquisitions. The structure and groups of cash-generating units are evaluated on an annual basis. The goodwill depreciation test is conducted at least annually for each group of cash-generating units to which the goodwill is allocated. To determine the value from use, discounted cash flow models are used.

The most important indicators in the depreciation test include assumptions regarding the sales growth rate and pre-tax discount rates. SEE ALSO Note 9 for sensitivity related to these assumptions for the relevant cash generating unit.

(Saudi Riyal)

5. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and constructions	Machinery and equipment	Vehicles	Office equipment	Work in process	Total
Cost							
Balance at 1 January, 2021	17,720,294	80,613,964	197,394,084	39,896,626	28,646,564	9,420,996	373,692,528
Additions during the year	-	-	826,883	3,018,582	300,566	43,335	4,189,366
Transfers	-	9,308,971	-	-	-	(9,308,971)	-
Translation differences	2,260	6,259	13,145	806	3,294	-	25,764
Balance at 31 December, 2021	17,722,554	89,929,194	198,234,112	42,916,014	28,950,424	155,360	377,907,658
Additions during the year	-	42,373	576,060	1,539,275	356,417	-	2,514,125
Disposals during the year	-	-	(7,912)	(301,500)	-	-	(309,412)
Transfer to assets held for sale (Note "e" below)	-	-	(5,397,884)	-	-	-	(5,397,884)
Translation differences	(444,546)	(1,236,646)	(2,667,910)	(249,970)	(728,424)	-	(5,327,496)
Balance at 31 December, 2022	17,278,008	88,734,921	190,736,466	43,903,819	28,578,417	155,360	369,386,991
Accumulated depreciation							
Balance at 1 January, 2021	-	67,074,447	167,169,286	24,810,726	24,754,115	-	283,808,574
Depreciation of the year	-	2,604,164	3,997,342	2,620,254	1,040,007	-	10,261,767
Translation differences	-	1,996	6,646	526	2,044	-	11,212
Balance at 31 December, 2021	-	69,680,607	171,173,274	27,431,506	25,796,166	-	294,081,553
Depreciation of the year	-	2,558,741	4,470,689	2,680,702	837,013	-	10,547,145
Disposals during the year	-	-	(7,612)	(291,837)	-	-	(299,449)
Transfer to assets held for sale (Note "e" below)	-	-	(4,521,939)	-	-	-	(4,521,939)
Translation differences	-	(437,515)	(1,455,931)	(140,357)	(480,609)	-	(2,514,412)
Balance at 31 December, 2022	-	71,801,833	169,658,481	29,680,014	26,152,570	-	297,292,898
Impairment	-	-	3,106,290	-	-	-	3,106,290
Net book value							
As at31 December, 2022	17,278,008	16,933,088	17,971,695	14,223,805	2,425,847	155,360	68,987,803
As at 31 December, 2021	17,722,554	20,248,587	27,060,838	15,484,508	3,154,258	155,360	83,826,105

(Saudi Riyal)

5.PROPERTY, PLANT AND EQUIPMENT (Continued)

A) As at December 31, 2022, property, plant and equipment includes fully depreciated assets and still working costing SR 80.56 million (December 31, 2021: SR 65.94 million).

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

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

	2021	2021
Cost of sales (Note 23)	**8,784,223**	8,359,486
Selling and distribution expenses (Note 24)	**576,988**	637,665
General and administrative expenses (Note 25)	**1,185,934**	1,264,616
	10,547,145	10,261,767

D) The group has prepared a impairment study as of December 31, 2022 for some of the main production lines in the factories, the group reached a impairment in the value of property, plant and equipment amounting SR 3.1 million and the group recorded the amount of the impairment on the consolidated comprehensive income statement for the current year.

E) During the year 2022, the Board of Directors of one of the subsidiaries decided to dispose off one of the machines located in the factory because there was no point in using it, as the net book value of this machine as at that date amounting SR 876 thousand, as the fair value exceed the net book value based on quotations received from third parties. The group management believe that they can sell this machine during 12 months from the date of board decision.

6. GOODWILL

The goodwill balance of SR 62,356,409 represents the excess in the investment cost at Global Marketing Company for Sleeping System Ltd. (a subsidiary) over the fair value of its net assets at the time of business combination.

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

As at December 31, 202٢, the Group's management reviewed the recoverable amount of goodwill. The recoverable amount was calculated on the basis of the value-in-use of the cash generating unit as determined by the Group's management and consists of the net operating assets of the subsidiary. In determining the value-in-use of the cash generating unit, the cash flows that were determined using the approved financial budgets were discounted by the management of the subsidiary for a period of five years at a discount rate of ١٤,٢٧%. The calculation of value-in-use is generally affected by changes in the following key assumptions:

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

Based on the above study, no impairment was identified in the carrying amount of the goodwill recognized above.

Management believes that any reasonable change in the key assumptions will not result in impairment in value in use over the carrying amount of the respective cash-generating unit.

(Saudi Riyal)

7. LEASE CONTRACTS

The Group as a lessee

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

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

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

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

	2022	**2021**
1 January	**10,559,060**	11,068,409
Additions during the year	**4,003,210**	3,653,334
Disposal during the year	**(180,574)**	-
Depreciation during the year	**(5,579,346)**	(4,162,683)
	8,802,350	10,559,060

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

	2022	2021
Cost of sales (Note 23)	**1,169,867**	760,358
Selling and distribution expenses (Note 24)	**3,877,823**	2,994,762
General and administrative expenses (Note 25)	**531,656**	407,563
	5,579,346	4,162,683

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

	2022	2021
1 January	**12,415,514**	11,501,085
Additions during the year	**3,685,064**	3,137,849
Disposal during the year	**(180,574)**	-
Finance cost (note 27)	**435,308**	515,410
Payments during the year	**(5,466,396)**	(2,738,830)
As of 31 December,	**10,888,916**	12,415,514
Less: current portion	**5,414,073**	4,688,151
Non-Current portion	**5,474,843**	7,727,363

The following table shows future payments related to lease contracts:

	2022	**2021**
Within one year	**5,414,073**	4,688,151
More than 1 year and less than 5 years	**5,474,843**	7,727,363
Total lease liabilities	**10,888,916**	12,415,514

(Saudi Riyal)

8. INTANGIBLE ASSETS

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

	Computer software
Net book value as of January 1, 2021	561,361
Amortization during the year (Note 25)	(332,346)
Net book value as of December 31, 2021	229,015
Net book value as of January 1, 2022	**229,015**
Amortization during the year (Note 25)	**(93,074)**
Net book value as of December 31, 2022	**135,941**

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022	2021
A. " Arabian Industrial Fiber Company (Ibn Rushd) (Note "A" below)		
Cost	**132,900,000**	132,900,000
Less: Fair value reserve for investment	**(132,900,000)**	(132,900,000)
Fair Value	**-**	**-**
b. Warehouses & Support Services Company (Note "B" below)		
Cost	**5,250,000**	5,250,000
Less: Fair value reserve for investment	**(617,488)**	-
Fair Value	**4,632,512**	5,250,000
c. Investment in priced local securities portfolio (Note "C" below)		
Fair Value	**47,617,273**	55,004,333
	52,249,785	**60,254,333**

A) As at December 31, 2022, the financial assets at fair value through other comprehensive income (Arabian Industrial Fibers Company (Limited Liability Company)-Ibn Rushd) amounting to nil (2021: SR nil). The Group's investment has been recognized at fair value. The group's management reversed the full recorded value as at December 31, 2019, during the recognition of the fair value of these financial assets in the fair value reserve account for investments.

B) As at December 31, 2022, the group's management studied the fair value of the investment in the warehouse and support services company (a closed Joint Stock Company), by relying on the market method and the average repeat method was used within the methods of the market methodology to evaluate the company and compare it with its related book values.
The above study for the current year resulted to impairment in the fair value of the investment by SR 617 thousand, and therefore the value of the investment was reduced and the reserve of the fair value of investments was increased by the same amount.

C) Financial assets at fair value through other comprehensive income include equity shares in the value of a portfolio dedicated to investing in shares of banks and other stock companies traded in the Saudi stock market that are not held for trading and which the Group has made an irrevocable choice when proving in principle to demonstrate changes in fair value through other comprehensive income rather than profit or loss, as these strategic investments are considered more important by the Group. The Group maintains this portfolio at a local financial brokerage company licensed in Saudi Arabia. These investments were proven at fair value as of 31 December 2022, and 31 December 2021, in accordance with the closing rates at the end of trades at the date of the financial position.

(Saudi Riyal)

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

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

	2022	2021
1 January	**55,004,333**	38,766,090
Unrealized (loss)/gain (Note "D" below)	**(14,024,180)**	16,883,185
Disposal during the year	**(23,493,561)**	(24,560,293)
Additions during the year	**30,130,681**	23,919,598
Cash in portfolio (Note 14)	**-**	(4,247)
	47,617,273	55,004,333

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

	2022	2021
1 January	**(116,223,833)**	(133,107,018)
Unrealized (loss)/gain during the year	**(14,641,671)**	16,883,185
realized gain during the year	**23,049,107**	2,208,161
Reclassification of realized gains from financial assets at fair value through other comprehensive income to accumulated losses	**(23,049,107)**	(2,208,161)
	(130,865,504)	(116,223,833)

10. INVENTORY

	2022	2021
Raw materials	**19,088,955**	21,691,144
Finished goods and accessories	**16,644,092**	17,470,847
Spare parts	**4,563,019**	3,202,904
Work in progress	**3,182,122**	2,174,014
	43,478,188	44,538,909
Inventories impairment (below Note)	**(6,854,576)**	-
	36,623,612	44,538,909
Goods in transit	**653,629**	894,237
	37,277,241	45,433,146

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

	2022	2021
Provision for the year (Detailed below and note 26)	**6,854,576**	5,877,662
Written-off during the year	**-**	(5,877,662)
	6,854,576	-

The addition of inventories impairment during the year is as follows:

	2022	2021
Slow-moving and obsolete inventory	**5,254,878**	2,887,443
Decrease in cost from net realizable value	**1,599,698**	2,990,219
	6,854,576	5,877,662

(Saudi Riyal)

11. OTHER CURRENT ASSETS

	2022	2021
Advance payments to suppliers	**2,721,281**	2,609,209
Impairment in Advance payments to suppliers (Note below)	**(57,494)**	(90,344)
	2,663,787	2,518,865
Prepaid expenses	**974,461**	463,941
Bank Guarantees	**450,000**	450,000
employees reservable	**532,400**	552,419
Insurance	**105,299**	517,715
Other	**184,568**	170,707
	4,910,515	4,673,647

* Provision for advances to suppliers' movement is as follows:

	2022	2021
At 1 January	**90,344**	24,530
Provision for the year (Note 26)	**-**	1,084,367
Written-off during the year	**-**	(1,019,071)
Translation differences	**(32,850)**	518
	57,494	90,344

12. TRADE RECEIVABLES

	2022	2021
Trade receivables	**16,119,396**	18,118,886
Provision for expected credit losses (note "A" below)	**(1,858,228)**	(387,423)
Trade receivables, net	**14,261,168**	17,731,463

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

	2022	2021
At 1 January	**387,423**	260,531
Provision for the year (Note 26)	**1,422,070**	1,498,574
Written-off during the year	**-**	(1,372,162)
Translation differences	**48,735**	480
	1,858,228	387,423

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

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

	2022	2021
1 January	**3,935,020**	956,050
Unrealized profits	**990,478**	612,802
Net additions (Disposal) during the year	**4,324,891**	2,366,168
	9,250,389	3,935,020

(Saudi Riyal)

14. CASH AND CASH EQUIVALENTS

	2022	2021
Cash at bank	**16,906,905**	10,165,606
Cash on hand	**263,691**	422,666
Cheques under collection	**81,398**	1,227,526
Cash in portfolio (Note 9)	**-**	4,247
	17,251,994	11,820,045

15. FOREIGN CURRENCY TRANSLATION RESERVE

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

	2022	2021
1 January	**(32,241,605)**	(32,279,754)
Change in foreign currency translation reserve	**(9,636,765)**	38,149
31 December	**(41,878,370)**	(32,241,605)

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

16. NON-CONTROLLING INTEREST

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

	2022	2021
Non-current assets	**13,144,265**	15,049,388
Current assets	**8,791,799**	6,863,640
Non-current liabilities	**2,079,216**	2,745,333
Current liabilities	**3,680,016**	4,515,795
Equity of the company's shareholders	**8,088,416**	7,325,950
non-controlling interest	**8,088,416**	7,325,950
Revenue	**21,344,937**	19,251,212
Expenses	**(20,093,857)**	(17,721,186)
Profit of the year	**1,251,080**	1,530,026
Net profit attributable to:		
Company shareholders	**625,540**	765,013
non-controlling interest	**625,540**	765,013
Total comprehensive income attributable to:		
Company shareholders	**762,466**	733,092
non-controlling interest	**762,466**	733,092
Total comprehensive income for the year	**1,524,932**	1,466,184
Cash flows;		
Cash flows from operating activities	**2,430,404**	1,753,424
Cash flows from investing activities	**(1,126,468)**	(2,556,038)
Cash flows from financing activities	**(703,648)**	(683,248)

(Saudi Riyal)

17. EMPLOYEE BENEFIT OBLIGATIONS

	2022	2021
January 1	**16,113,008**	13,626,166
Current service cost	**2,038,677**	2,333,703
Financing costs	**389,640**	442,843
Paid during the year	**(1,524,133)**	(593,851)
Written off during the year	**(50,895)**	-
Actuarial loss recorded during the year	**(3,044,665)**	1,070,003
Advance payments	**(134,897)**	(765,856)
31 December	**13,786,735**	16,113,008

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

	2022	2021
Discount rate	**4.6%**	2%
Salary increase rate	**2.50%**	2%

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

	2022	2021
Discount rate +0,5%	**17,219,112**	19,608,973
Discount rate -0,5%	**17,952,188**	20,699,806
Salary increases +0,5%	**17,958,128**	20,696,990
Salary increases -0,5%	**17,429,334**	19,606,434

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

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

	2022	2021
During the next 12 months (the period of the next annual financial report)	**2,675,718**	2,669,774
Between 2 to 5 years	**13,395,379**	12,524,349
Between 5 to 10 years	**8,976,577**	9,483,116
Net benefit expense	**25,047,674**	24,677,239

18. ZAKAT AND INCOME TAX

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

	2022	2021
Zakat provision (Note “D”, below)	**4,546,189**	6,279,813
Income tax provision (Note “F”, below)	**1,084,510**	1,253,715
	5,630,699	7,533,528

(Saudi Riyal)

18.ZAKAT AND INCOME TAX (Continued)

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

	2022	2021
Non-current assets	192,532,288	217,334,943
Non-current liabilities	19,790,198	24,623,340
Shareholders' equity	211,338,163	217,009,165
Net loss before zakat and income tax	(37,579,785)	(20,370,631)

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

	2022	2021
Charge during the year	1,521,988	2,125,744
Prior-year adjustments	(2,058,992)	-
	(537,004)	2,125,744

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

	2022	2021
Balance at the beginning of the year	6,279,813	8,616,703
Charge during the year	(537,004)	2,125,744
Paid during the year	(1,196,620)	(4,462,634)
Balance at the end of the year (Note "A")	4,546,189	6,279,813

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

	2022	2021
Current income tax (Note "F")	1,358,342	1,159,602
Deferred tax income	(254,349)	74,517
	1,103,993	1,234,119

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

	2022	2021
Balance at the beginning of the year	1,253,715	366,309
Charge during the year (Note "E")	1,103,993	1,234,119
Paid during the year	(760,845)	(272,196)
translation differences	(512,353)	(74,517)
Balance at the end of the year (Note "A")	1,084,510	1,253,715

g) Zakat and tax position

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

The parent company and its subsidiaries submitted their zakat declarations to the Zakat, tax and customs authority "authority" for the years up to 2021 and received a Zakat certificate.

Zakat assessment

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

18.ZAKAT AND INCOME TAX (Continued)

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

During the year 2022, the Zakat, tax and Customs Authority linked the zakat of the subsidiary company (Emmdad Logistic Services Company) for the year 2020, resulting in an additional amount due in the amount of 139 thousand Saudi riyals, and the company recorded the amount in the statement of comprehensive income and payment during the year.

Arab Company for the manufacture of sist and sponge mattresses limited (Sleep High Egypt)

- **Taxes on money companies**

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

- **Sales tax and Value Added Tax**

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

- **Employment gain tax**

- The company was checked for the employment gain tax from the date of the company's establishment until December 31, 2011, and the company was notified of the claim and the amounts received were paid by the claim. This claim was objected to and the dispute was referred to the internal committee and the final link and payment was made until December 2011.
- The year from January 1, 2012 to December 31, 2021, the tax inspection was not carried out and the company did not receive any tax claims.

- **Stamp tax**

- The company was assessed for the stamp tax for the years from 1998 to 2000 and the settlement was made by linking the tax for the year from 1998 to June 2006 and the company paid the tax due.
- The company's tax inspection was not carried out from July 2006 until December 31, 2021.

- **Real estate tax**

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

(Saudi Riyal)

19. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2022	2021
Accrued expenses	**4,018,259**	4,647,544
Remuneration of board of directors' members and other related committees (Note 32)	**1,102,000**	357,000
Advance payments from customers	**666,460**	2,440,603
Contract liabilities	**1,824,786**	2,585,628
Value Added Tax	**417,668**	432,173
Employee benefits	**2,933,551**	1,963,062
Other	**2,032,792**	724,836
	12,995,516	13,150,846

20. UNDERWRITING SURPLUS

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

21. CREDIT FACILITIES

The group's credit facilities are as follows:

A) credit facilities granted by the Arab Investment Bank/ Arab Republic of Egypt to finance the purchase of raw materials for the subsidiary in the Arab Republic of Egypt, the value of which as at December 31, 2022 was 3,968,187 Saudi riyals (December 31, 2021 was 4,032,949 Saudi Riyals equivalent to 1,021,475 US dollars, using the documentary credit system at a variable interest rate).

B) during the year 2022, one of the subsidiaries signed a murabaha sale agreement for the purchase and sale of certain securities with Derayah company ("Derayah"), the value of the agreement amounted to SAR 20 million at an annual interest rate of 6.25%, so the balance of the credit facilities as at December 31, 2022 amounted to SAR 21,249,993 (December 31, 2021: none).

All available assets in all the portfolios of the Derayah subsidiary have been mortgaged as collateral for the granted facilities, in addition to a warrant. The entire balance of the financing was used by the subsidiary. Under the terms of the agreement, the finance is due to be repaid twelve months after the date of signing the agreement.

22. SEGMENT INFORMATION

The sector is an essential part of the Group that provides certain products or services (business sector) or provides products or services in a certain economic environment (geographical sector) whose profits and losses differ from those of other sectors.
The geographical sector is linked to the provision of products or services in a specific economic environment subject to risks and returns different from those related to employment sectors in economic environments.

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

The Group operates in the following key sectors:

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

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

(Saudi Riyal)

22. SEGMENT INFORMATION(Continued)

Operating Segment

Descriptions	Mattresses and sponges	Toiletries	Transportation	Financial investments	Other Segments	Total
31 DECEMBER 2022						
Total assets	**93,994,502**	**35,470,171**	**16,404,826**	**61,500,174**	**68,989,868**	**276,359,541**
Total liabilities	**67,902,085**	**16,391,676**	**5,759,233**	**-**	**11,309,796**	**101,362,790**
Net sales	**134,151,722**	**12,735,578**	**8,459,938**	**-**	**-**	**155,347,238**
(Loss) profit attributable to shareholders for the year	**(9,737,369)**	**(17,611,684)**	**625,540**	**2,315,554**	**(14,364,355)**	**(38,772,314)**
31 DECEMBER 2021						
Total assets	105,441,599	45,065,178	17,232,089	64,189,353	69,000,045	300,928,264
Total liabilities	51,813,109	19,363,614	7,261,126	-	11,152,252	89,590,101
Net sales	142,577,101	13,351,937	7,149,480	-	-	163,078,518
(Loss) profit attributable to shareholders for the year	(4,940,917)	(9,929,810)	765,013	2,584,179	(12,973,974)	(24,495,509)

Financial information of revenue and profit specify for geographical section after eliminated the transactions between the Group subsidiaries as follows:

Geographic Information

Descriptions	Kingdom of Saudi Arabia	Arab Republic of Egypt	Total
31 DECEMBER 2022			
Total assets	**245,649,400**	**30,710,141**	**276,359,541**
Total liabilities	**86,789,293**	**14,573,497**	**101,362,790**
Net sales	**123,772,929**	**31,574,309**	**155,347,238**
(Loss) profit attributable to shareholders for the year	**(39,654,708)**	**882,394**	**(38,772,314)**
31 DECEMBER 2021			
Total assets	266,613,628	34,314,636	300,928,264
Total liabilities	80,166,480	9,423,621	89,590,101
Net sales	128,814,464	34,264,054	163,078,518
(Loss) profit attributable to shareholders for the year	(27,737,209)	3,241,700	(24,495,509)

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

23. COST OF REVENUE

	2022	2021
Consumables and spare parts	**88,578,857**	95,467,342
Salaries, wages and benefits	**22,964,149**	20,677,087
Depreciation of property, plant and equipment (Note 5)	**8,784,223**	8,359,486
Depreciation of right to use assets (Note 7)	**1,169,867**	760,358
Repair and maintenance	**2,843,451**	2,405,846
Fuel and transportation	**4,174,085**	3,624,232
Connections and utilities	**2,460,510**	2,322,345
Other	**2,307,901**	2,653,605
	133,283,043	136,270,301

(Saudi Riyal)

24. SELLING AND DISTRIBUTION EXPENSES

	2022	2021
Salaries, wages and benefits	**9,366,110**	8,141,845
Depreciation of property, plant and equipment (Note 5)	**576,988**	637,665
Depreciation of right to use assets (Note 7)	**3,877,823**	2,994,762
Advertising	**1,912,134**	1,373,657
Connections and utilities	**506,563**	442,728
Subscriptions and licenses	**363,957**	225,332
Maintenance	**287,753**	115,549
Other	**2,259,019**	1,164,441
	19,150,347	15,095,979

25. GENERAL AND ADMINISTRATIVE EXPENSES

	2022	2021
Salaries, wages and benefits	**19,023,573**	18,836,839
Remuneration of board of directors' members and other related committees (Note 32)	**4,485,061**	2,354,437
Professional fees and consulting	**1,812,292**	3,702,922
License subscription fees	**1,182,638**	1,770,213
Depreciation of property, plant and equipment (Note 5)	**1,185,934**	1,264,616
Amortization of intangible assets (Note 8)	**93,074**	332,346
Depreciation of right to use assets (Note 7)	**531,656**	407,563
Repair and maintenance	**448,356**	228,467
Travel & hospitality	**735,555**	607,809
Connections and utilities	**496,771**	398,311
Bad debts	**74,592**	-
Other	**3,324,602**	1,934,254
	33,394,104	31,837,777

26. IMPAIRMENT Of CURRENT ASSETS

	2022	2021
Inventory impairment (Note 10)	**6,854,576**	5,877,662
Expected credit losses (Note 12)	**1,422,070**	1,498,574
Impairment of other current assets (Note 11)	**-**	1,084,367
	8,276,646	8,460,603

27. FINANCE COSTS

	2022	2021
Finance cost on operating leases (Note 7)	**435,308**	515,410
finance cost of credit facilities (Note 21)	**915,161**	397,809
	1,350,469	913,219

28. OTHER INCOME

	2022	2021
Scrap sales	**526,298**	2,430,353
Bad debts collected during the year	**3,589,489**	2,272,516
(loss) Gain on foreign currency differences	**(3,052,665)**	49,805
Gain from sale of property, plant and equipment	**21,724**	-
Credit interests	**672,518**	478,053
Other	**1,560,958**	1,313,824
	3,318,322	6,544,551

(Saudi Riyal)

29. LOSS PER SHARE

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

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

	2022	2021
Loss from operations (SR)	**(41,863,192)**	(28,586,142)
Weighted average number of shares during the year (share)	**40,000,000**	40,000,000
Basic and diluted share per share (SR)	**(1.05)**	(0.71)

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

	2022	2021
Net loss for the year	**(38,772,314)**	(24,495,507)
Weighted average number of shares during the year (share)	**40,000,000**	40,000,000
Basic and diluted share per share (SR)	**(0.97)**	(0.61)

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

30. OBLIGATIONS AND CONTINGENT LIABILITIES

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

- A final judgment was issued by the court of Appeal in the case no. (2798) of 1434h in favor of the Saudi Industrial Development Company "Sadiq" (the"plaintiff") against Juhayna trading, industry and Contracting Co. Ltd. (the"defendant"); by obliging the defendant to pay the plaintiff a total amount of approximately 15,193,873 Saudi riyals, and a judgment was issued by the court of First Instance requesting the interpretation of the judgment in the case no. (2798) of 1434h in solidarity of both Juhayna trading, industry and Contracting Co. Ltd"defendant") and Abbas bin Ali bin Ahmed Abdul-Jawad in the payment of the amounts sentenced in favor of "Sadiq" ("plaintiff"); then the court of Appeal ruled to cancel the ruling by accepting the request for explanation and issued its ruling The application was submitted to the execution court in Jeddah against Juhayna company, and the application was registered with the number: (3901242395) dated 10/11/1439 ah and a decision was issued against Juhayna company and its branches (34) and after a decision (46); based on the above facts, the procedures for the execution of the judgment and the attempt to collect the amount are still ongoing by the execution court, and that any amounts collected will be credited to directly upon collection.
- During 2019, the Arab Investment Bank in the Republic of Egypt filed a lawsuit against the Arab mattress and sponge manufacturing company "Sleep high" (a subsidiary of the group) for paying additional amounts in excess of the value of credit facilities. A ruling was issued in favor of the company by the economic Court of Appeal and this ruling was appealed by the bank, and the court issued a ruling not to accept the appeal and obligated the appellant bank with expenses, including lawyer's fees, with the confiscation of the bail.

31. RISK MANAGEMENT

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

A) Credit risk

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

	31 December 2022	31 December 2021
Other current assets (excluding prepaid expenses)	**3,894,748**	4,049,947
Trade receivables	**14,261,168**	17,731,463
Cash and cash equivalents	**17,251,994**	11,820,045
Total financial assets	**35,407,910**	33,601,455

(Saudi Riyal)

31. RISK MANAGEMENT (Continued)

A) Credit risk (Continued)

The following is an analysis of the age of Trade receivables accounts:

31 December 2022	Total	Less than 30	Days 31 -60	Day 61-90	Day 91-120	A day more than 120 days
Trade receivables	**16,119,396**	**10,488,099**	**2,560,236**	**1,455,489**	**391,436**	**1,224,136**
Provision for expected credit losses	**1,858,228**	**1,491**	**161,795**	**213,097**	**257,709**	**1,224,136**
Used from expected credit losses	**-**	**-**	**-**	**-**	**-**	**-**
Net provision for expected credit losses	**1,858,228**	**1,491**	**161,795**	**213,097**	**257,709**	**1,224,136**
Loss rate	**-**	**0.01%**	**6.32%**	**14.64%**	**65.84%**	**100.00%**

31 December 2021	Total	Less than 30	Days 31 -60	Day 61-90	Day 91-120	A day more than 120 days
Trade receivables	18,118,886	8,883,742	5,052,795	1,911,315	568,838	1,702,196
Provision for expected credit losses	1,759,105	74,706	65,753	114,179	93,020	1,411,447
Non-performing provision for expected credit losses	(1,371,682)	-	-	(38,937)	(46,510)	(1,286,235)
Net provision for expected credit losses	387,423	74,706	65,753	75,242	46,510	125,212
Loss rate	-	0,84%	1,3%	3,94%	8,18%	7,36%

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

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

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

Commercial receivables are written off (that is, derecognized) when there is no reasonable expectation of their recovery. Failure to make payment within 90 days from the date of the invoice and the inability to make an alternative payment arrangement - among other things - with the group is an indication of an unreasonable expectation of recovery, and is therefore considered as a credit impairment.

(Saudi Riyal)

31. RISK MANAGEMENT (Continued)

A) Credit risk (Continued)

Financial instruments, Cash and cash equivalents

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

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

B) fair value or interest rate risks

Fair value is the value received for the sale of an asset or paid for the transfer of an obligation in a regular transaction between market participants on the measurement date. The consolidated financial statements are prepared on the historical cost basis excluding financial investments, which are measured at fair value and employee benefit liability, the value of which is estimated actuarially. Differences may arise between the estimates of book value and fair values, as management believes that the fair values of the group's assets and liabilities do not differ significantly from fair values.
Interest rate risk arises from the possibility that fluctuating interest rates will affect future profitability. The group is exposed to interest rate risks on its interest-bearing assets and liabilities, including loans and bank facilities. Management works to reduce interest rate risks by monitoring the fluctuation of interest rates.

C) currency risk

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

The table below contains an analysis of the impact of a decrease or increase in the exchange rate of the Egyptian pound against the Saudi Riyal from the levels applied in
December 31, 2022, with other variables remaining fixed in equity. It is expected that the effect of the increase or decrease in foreign currency will be equal to and opposite to the effect of the increase shown:

		impact on profit for the year		impact on equity for the year	
Currency	exchange rate % change	2022 Saudi Riyal	2021 Saudi Riyal	2022 Saudi Riyal	2021 Saudi Riyal
Egyptian pound	10%	174,955	324,170	1,613,665	2,489,102

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

D) Commission risk

Commission rate risk is represented by the risk of fluctuations in the value of financial instruments as a result of changes in the prevailing market commission rates on the group's financial position and cash flows. The existing facilities are represented by a murabaha sale agreement for the purchase and sale of certain securities with Derayah company ("Derayah"), the value of the agreement amounted to SAR 20 million at a fixed annual interest rate of 6.25%, and therefore the management of the group believes that there is no risk of changes in commission rates as the existing facilities are based on a fixed commission rate.

E) liquidity risk

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

(Saudi Riyal)

31. RISK MANAGEMENT (Continued)

E) liquidity risk (Continued)

31 December 2022	book value	Number of order or Less than one year	from 1 year to 5 years	More than 5 years
Non-derivative financial liabilities				
credit facilities	**25,218,180**	**25,218,180**	**-**	**-**
Lease liabilities	**10,888,916**	**5,414,073**	**5,474,843**	**-**
Trade payables and other creditors	**38,553,398**	**38,553,398**	**-**	**-**
	74,660,494	**69,185,651**	**5,474,843**	**-**

31 December 2021	book value	Number of order or Less than one year	from 1 year to 5 years	More than 5 years
Non-derivative financial liabilities				
credit facilities	4,032,949	4,032,949	-	-
Lease liabilities	12,415,514	4,688,151	7,727,363	-
Trade payables and other creditors	42,361,235	42,361,235	-	-
	58,809,698	51,082,335	7,727,363	-

F) price risk

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

G) Capital Management

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

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

	2022	2021
Credit facilities	25,218,180	4,032,949
Cash and cash equivalents	(17,251,994)	(11,820,045)
Net debt	7,966,186	(7,787,096)
Total equity	174,996,749	211,338,163
Indebtedness ratio	5%	(4%)

(Saudi Riyal)

31. RISK MANAGEMENT (Continued)

H) measurement of fair value

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

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

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

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

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

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

(Saudi Riyal)

31. RISK MANAGEMENT (CONTINUED)

H) measurement of fair value (Continued)

	Book value		fair value			
December 31, 2021	**Amortized cost**	**Fair value**	**Level (1)**	**Level (2)**	**Level (3)**	**Total**
Financial assets						
Cash and cash equivalents	11,820,045	-	-	-	-	-
Other current assets (excluding prepaid expenses)	4,049,947	-	-	-	-	-
Financial assets at fair value through profit or loss	-	3,935,020	3,935,020	-	-	3,935,020
Financial assets at fair value through other comprehensive income	-	60,254,333	55,004,333	-	5,250,000	60,254,333
Trade receivables and receivables	13,746,957	-	-	-	-	-
	29,616,949	64,189,353	58,939,353	-	5,250,000	64,189,353
Financial liabilities						
Trade payables	29,210,389	-	-	-	-	-
Accruals and other current liabilities	13,150,846	-	-	-	-	-
Credit facilities	4,032,949	-	-	-	-	-
Lease liabilities	12,415,514	-	-	-	-	-
	58,809,698	-	-	-	-	-

32. TRANSACTIONS WITH RELATED PARTIES

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

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

Description	**nature of the transaction**	**Relationship**	**Amount**	
			2022	2021
Senior management	Salaries and compensation	parent company	1,872,238	1,129,250
		Subsidiaries	640,002	639,996
	End-of-service benefits	parent company	113,538	109,625
		Subsidiaries	50,000	50,000
The board of directors and related committees (note 25)	Bonuses, benefits and allowances for attending meetings	parent company	2,935,241	1,283,482
		Subsidiaries	1,550,413	1,070,955

As at 31 December 2022, the remuneration of the board of directors and related committees payable (Note 19) amounted to SAR 1.1 million (31 December 2021 amounted to SAR 357 thousand).

(Saudi Riyal)

33. COMPARATIVE FIGURES

Some comparative figures have been reclassified to align with the current year's classification, the main ones are as follows:

	As previously shown 2021	Re-classification	Modified ٢٠٢١
Statement of comprehensive income			
General and administrative expenses	(32,030,807)	193,030	(31,837,777)
Financial costs	(720,189)	(193,030)	(913,219)

In addition, the Group has also reclassified some accounts in some notes to the consolidated financial statements to conform to the current year's classification.

34. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMETS

The issuance of the Consolidated Financial Statements of the group for the year ended December 31, 2022 was approved by the resolution of the board of Directors dated Shawwal 17, 1444h (corresponding to May 7, 2023).