

SERVICE EQUIPMENT COMPANY
(A JOINT STOCK COMPANY)

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2025**

SERVICE EQUIPMENT COMPANY
(A JOINT STOCK COMPANY)

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INDEPENDENT AUDITOR’S REPORT

To the shareholders
Service Equipment Company
(A JOINT STOCK COMPANY)
Jeddah - Kingdom of Saudi Arabia

Opinion

We have audited the statements of Service Equipment Company (“the Company”), which comprise the statement of financial position as of December 31, 2025, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2025, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by 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 Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the Company’s 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 financial statements for the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matter
Revenue Recognition The Company’s net revenue for the year ended 31 December 2025 amounted to SAR 50.5 million (2024: SAR 57.4 million) (Note 20). Revenue is recognized from the sale of machinery and equipment and from the provision of maintenance services, as disclosed in (Note 20). Revenue is one of the key indicators of performance, and as such, there are inherent risks associated with the revenue recognition process. Given the materiality of the revenue recorded during the year and the inherent risks associated with revenue recognition, we considered revenue recognition to be a key audit matter. Please refer to Note (4-22) “Summary of Significant Accounting Policies – Revenue Recognition”, and Note (20) for the related revenue disclosures.	Our audit procedures included, among other things, the following: • Obtaining an understanding of the nature of revenue streams to identify the main sources of revenue. • Evaluating the design and operating effectiveness of the internal controls related to management’s procedures for revenue recognition. • Assessing the appropriateness and consistency of the Company’s revenue recognition policies with IFRS as endorsed in the Kingdom of Saudi Arabia, and other pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA), and evaluating their compliance with these standards. • Examining a sample of revenue transactions from sales and maintenance contracts to ensure the related revenue was recognized in accordance with IFRS 15 “Revenue from Contracts with Customers.” • Examining a sample of recorded sales transactions and agreeing them to supporting documentation to verify the proper application of the revenue recognition policy. • Examining a sample of sales transactions recorded before and after year-end to assess whether revenue was recognized in the correct period. • Discussing with management and those charged with governance their understanding of fraud risks and whether any actual instances of fraud have occurred. • Evaluating the adequacy of the disclosures included in the financial statements.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the shareholders
Service Equipment Company
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Jeddah - Kingdom of Saudi Arabia

Emphasis of Matter

We draw attention to Note (1) to the accompanying financial statements, which states that on 8 Jumada II 1446H (corresponding to 9 December 2024), the Capital Market Authority approved the listing of 720,000 shares, representing 30% of the Company's existing shares, on the Parallel Market (Nomu). Further, on 6 Dhul-Qa'dah 1446H (corresponding to 4 May 2025), the shares were officially listed on the Parallel Market (Nomu). Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 31 December 2025, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this report.

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

When we read the annual report, if we conclude that it contains a material misstatement, we are required to report this matter to those charged with governance.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the shareholders
Service Equipment Company
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Jeddah - Kingdom of Saudi Arabia

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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

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

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

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

RSM Allied Accountants Professional Services



Mohammad Abdulmajeed Mohandes

License No 564

Riyadh, Kingdom of Saudi Arabia

Ramadan 23, 1447H (corresponding to March 12, 2026)



SERVICE EQUIPMENT COMPANY
(A JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2025

(All amounts are expressed in Saudi Riyals)

	Note	December 31, 2025	December 31, 2024
ASSETS			
Non-current assets			
Property, plant and equipment	6	1,541,577	1,846,988
Right-of-use assets	8-b	1,201,559	1,802,337
Intangible assets	7	317,350	358,743
Total non-current assets		3,060,486	4,008,068
Current assets			
Inventories	9	26,588,173	21,419,149
Prepayments and other receivables	12	1,524,388	4,122,747
Due from related parties	11-a	-	643,422
Trade receivables	10	12,403,567	13,128,569
Cash and cash equivalents	13	12,002,068	9,603,640
Total current assets		52,518,196	48,917,527
TOTAL ASSETS		55,578,682	52,925,595
EQUITY AND LIABILITIES			
EQUITY			
Share capital	14	24,000,000	24,000,000
Statutory reserve	15	-	600,000
Retained earnings		20,267,209	17,287,871
TOTAL EQUITY		44,267,209	41,887,871
LIABILITIES			
Non-current liabilities			
Employee benefit plan liabilities	17-b	1,209,222	968,879
Lease liabilities - non-current portion	8-c	714,660	1,388,371
Total non-current liabilities		1,923,882	2,357,250
Current liabilities			
Lease liabilities - current portion	8-c	673,706	624,884
Accrued expenses and other credit balances	18	3,100,564	1,688,494
Due to related parties	11-c	308,001	483,566
Trade payables		4,164,133	4,808,300
Zakat provision	19	1,141,187	1,075,230
Total current liabilities		9,387,591	8,680,474
TOTAL LIABILITIES		11,311,473	11,037,724
TOTAL EQUITY AND LIABILITIES		55,578,682	52,925,595

Chief Financial Officer
Samir Abdul Murdi

Chief Executive Officer
Majid Ahmed Omar Balubaid

Chairman
Ahmed Omar Abu Bakr Balubaid

The accompanying notes from (1) to (30) form an integral part of these financial statements



SERVICE EQUIPMENT COMPANY
(A JOINT STOCK COMPANY)

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2025**

(All amounts are expressed in Saudi Riyals)

	Note	2025	2024
<u>Profit or loss</u>			
Sales, Net	20	50,518,265	57,437,435
Cost of sales	21	(28,055,493)	(29,418,722)
Gross profit		22,462,772	28,018,713
General and administrative expenses	23	(15,557,807)	(11,158,999)
Expected credit losses	10	(242,355)	-
Selling and marketing expenses	22	(533,771)	(530,368)
Profit from operating activities		6,128,839	16,329,346
Finance costs	25	(130,404)	(158,015)
Other income	24	1,143,544	1,145,267
Net profit before zakat expense		7,141,979	17,316,598
Zakat expense	19-a	(1,141,187)	(1,075,230)
Net profit for the year		6,000,792	16,241,368
<u>Other comprehensive income</u>			
<u>Items that will not be reclassified subsequently to profit or loss:</u>			
(Gains) / Losses from remeasurement of employee benefit obligations	17-b	(21,454)	463,139
Total other comprehensive (Loss)/ income for the year		(21,454)	463,139
Total comprehensive income for the year		5,979,338	16,704,507
<u>Basic and diluted earnings per share:</u>			
Basic and diluted earnings per share - Saudi Riyals per share	27	2.50	6.77

Chief Financial Officer
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Chief Executive Officer
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SERVICE EQUIPMENT COMPANY
(A JOINT STOCK COMPANY)

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2025**

(All amounts are expressed in Saudi Riyals)

	Note	Share capital	Additional share capital	Statutory reserve	Retained earnings	Total
Balance as of January 1, 2024		2,000,000	4,629,281	1,484,879	17,069,204	25,183,364
Net income for the year		-	-	-	16,241,368	16,241,368
Other comprehensive income for the year		-	-	-	463,139	463,139
Total comprehensive income for the year		-	-	-	16,704,507	16,704,507
Share capital increase from additional share capital		4,629,281	(4,629,281)	-	-	-
Transfer of statutory reserve to retained earnings		-	-	(884,879)	884,879	-
Share capital increase from retained earnings:	14	17,370,719	-	-	(17,370,719)	-
Balance at December 31, 2024		24,000,000	-	600,000	17,287,871	41,887,871
Net income for the year		-	-	-	6,000,792	6,000,792
Other comprehensive income for the year		-	-	-	(21,454)	(21,454)
Total comprehensive income for the year		-	-	-	5,979,338	5,979,338
Transfer of statutory reserve to retained earnings		-	-	(600,000)	600,000	-
Dividends	16	-	-	-	(3,600,000)	(3,600,000)
Balance at December 31, 2025		24,000,000	-	-	20,267,209	44,267,209

Chief Financial Officer
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Chief Executive Officer
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Chairman
Ahmed Omar Abu Bakr Balubaid

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SERVICE EQUIPMENT COMPANY
(A JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2025

(All amounts are expressed in Saudi Riyals)

	Note	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit before zakat expense		7,141,979	17,316,598
Adjustments for non-cash items: Adjustments to reconcile profit before zakat to net cash generated from operating activities:			
Depreciation of property, plant and equipment	6	398,350	350,665
Gain from disposal of property, plant and equipment		(17,439)	(467,814)
Amortization of intangible assets	7	41,393	41,394
Amortization of right-of-use assets	8-b	600,778	566,009
Provision of the inventory impairment	9-a	100,000	120,000
Finance costs	25	130,404	158,015
Expected credit losses	10	242,355	-
Current service cost of employee benefit liabilities	17-b	247,207	291,954
		8,885,027	18,376,821
Changes in operating assets and liabilities:			
Inventories		(5,269,024)	(5,303,848)
Prepayments and other receivables		2,626,350	(1,685,674)
Due from related parties		643,422	(593,422)
Trade receivables		482,647	(1,956,194)
Accrued expenses and other credit balances		1,384,079	(740,273)
Due to related parties		(175,565)	(627,578)
Trade payables		(644,167)	2,610,309
Cash from operating activities		7,932,769	10,080,141
Accrued zakat paid	19-b	(1,075,230)	(554,952)
Employee benefit plan Liabilities paid	17-b	(81,606)	(62,809)
Net cash generated from operating activities		6,775,933	9,462,380
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of property, plant and equipment	6	(98,977)	(1,030,080)
Proceeds from disposal of property, plant and equipment		23,477	573,501
Net cash used in investing activities		(75,500)	(456,579)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of finance leases	8-c	(702,005)	(663,665)
Dividends	16	(3,600,000)	-
Net cash used in financing activities		(4,302,005)	(663,665)
Net change in cash and cash equivalents		2,398,428	8,342,136
Cash and cash equivalents at beginning of the year		9,603,640	1,261,504
Cash and cash equivalents at end of the year	13	12,002,068	9,603,640

Non-cash transactions:

Increase in share capital	-	22,000,000
Adjustments to right-of-use assets	-	298,140

Chief Financial Officer
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Chief Executive Officer
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Chairman
Ahmed Omar Abu Bakr Balubaid

The accompanying notes from (1) to (30) form an integral part of these financial statements



SERVICE EQUIPMENT COMPANY
(A JOINT STOCK COMPANY)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

(All amounts are expressed in Saudi Riyals)

1 - ORGANIZATION AND ACTIVITIES

Service Equipment Company (the "Company"), is a joint-stock company established under Commercial Registration No. 4030185301 issued in Jeddah on 7 Muharram 1430H (corresponding to January 4, 2009), the company operates under the unified national number 7001674931.

On 8 Jumada al-Thani 1446H (corresponding to December 9, 2024), the Capital Market Authority announced its approval of the company's request to register and offer 720,000 shares, representing 30% of its outstanding shares, on the Parallel Market (Nomu).

On 6 Dhu al-Qi'dah 1446 AH (corresponding to May 4, 2025), the company listed 720,000 shares, representing 30% of its outstanding shares, on the Parallel Market (Nomu).

The Company's activities include the installation of machinery and equipment, the wholesale sale of transportation equipment (except for cars, motorcycles, and electrical devices), the wholesale sale of spare parts for industrial equipment and machinery, the retail sale of spare parts for industrial equipment and machinery, and the retail sale of fuel station equipment and spare parts, including fuel pumps and general warehouses with a variety of goods.

The Company's registered office is located at the following address:

Building No. 4751 - King Abdullah Road - Al Naseem District - Jeddah, Kingdom of Saudi Arabia

The accompanying financial statements include the results of operations and the assets and liabilities of the following branches, after eliminating all inter-branch transactions and transactions between the branches and the Company's head office:

Name of branch	Registration Number	Registration Expiration Date	Address	Principal activities
Service Equipment Company - a joint stock company	4030293072	15-11-2026	Jeddah - King Road - Al-Sulaymaniyah District	Repair, maintenance, and installation of fuel pumps.
Service Equipment Company - a joint stock company	1010467816	15-11-2026	Riyadh - Al-Kharj Road - Industrial Area - next to Al Rajhi Banking Company	Installation of machinery and equipment, the wholesale sale of transportation equipment (except for cars, motorcycles, and electrical devices), the wholesale sale of spare parts for industrial equipment and machinery, the retail sale of spare parts for industrial equipment and machinery, and the retail sale of fuel station equipment and spare parts, including fuel pumps, installation of factories
Service Equipment Company - a joint stock company	2050111612	15-11-2026	Dammam - Al-Khudaryah District - Saihat Street	machinery and equipment, and general warehouses with a variety of goods.

Ahmed Omar Abu Bakr Balubaid Holding Company owns 61.6% of the Company's shares and is considered the parent company.

2 - STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants (SOCPA).

3 - BASIS OF PREPARATION THE FINANCIAL STATMENTS

3-1 Basis of measurement

The financial statements have been prepared and presented in accordance with the historical cost basis, the going concern assumption, and the accrual basis of accounting, except for employee benefit obligations, which are measured at the present value of future obligations using the projected unit credit method, and lease liabilities, which are measured at the present value of lease payments.

3-2 Functional and presentation currency

These financial statements are expressed in Saudi Riyals, unless otherwise stated, which is the presentation, disclosure and functional currency of the Company.

SERVICE EQUIPMENT COMPANY
(A JOINT STOCK COMPANY)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

(All amounts are expressed in Saudi Riyals)

4 - MATERIAL ACCOUNTING POLICY INFORMATION

The accounting policies that are significant to the preparation of these financial statements and applied by the Company are set out below. These policies have been applied consistently to all years presented, unless otherwise stated.

4-1 Standards Issued but Not Yet Effective

The following new and amended standards and interpretations have been issued but were not yet effective as of the date of the company's statement of financial position.

<u>Standard</u>	<u>Application date</u>
Amendments to IFRS (9) and IFRS (7): Classification and Measurement of Financial Instruments	1 January 2026
Amendments to IFRS (9) and IFRS (7): Contracts Referencing Nature Dependent Electricity	1 January 2026
Annual improvements to IFRS accounting Standards	1 January 2026
IFRS (18): Presentation and Disclosure in Financial Statements – Replaces IAS (1) Presentation of Financial Statements	1 January 2027
IFRS (19) - Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to IFRS (10) and IAS (28): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The effective date of this amendment is postponed indefinitely

The company did not implement any standards, interpretations, or other amendments that were issued and not in effect early.

4-2 Foreign currency transactions

Transactions and balances:

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, as well as from the translation of monetary assets and liabilities denominated in foreign currencies at the exchange rates at the year-end, are recognized in the statement of profit or loss and other comprehensive income.

Foreign exchange gains and losses related to facilities and cash and cash equivalents are presented in the statement of profit or loss and other comprehensive income under "finance income or costs". All other foreign exchange gains and losses are presented in the statement of profit or loss and other comprehensive income under "other income, net".

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

(All amounts are expressed in Saudi Riyals)

4- MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4-3 Classification of assets and liabilities to “current” and “non-current”

The Company presents assets and liabilities in the statement of financial position based on current/ non-current classification.

An asset is current when it is:

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

All other assets are classified as “non-current”.

A liability is current when:

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

All other liabilities are classified as “non-current”.

4-4 Property, plant and equipment

Property, plant and equipment are initially recognized at cost. Cost includes all directly attributable expenditures necessary to bring the asset to the location and condition required for it to operate in the manner intended by management. These assets are subsequently measured at cost less accumulated depreciation and accumulated impairment losses, if any.

The Company adds to the carrying amount of an item of property, plant and equipment the cost of replacing parts of that asset when such cost is incurred, provided that the replacement is expected to provide additional future economic benefits to the Company. The carrying amount of the replaced part is derecognized. All other repair and maintenance costs are charged to the statement of profit or loss and other comprehensive income in the period in which they are incurred.

Depreciation is calculated to allocate the cost of the assets, less their estimated residual values, over their estimated useful lives, except for leasehold improvements, which are depreciated over the shorter of the useful life or the lease term, using the straight-line method. Depreciation is charged to the statement of profit or loss and other comprehensive income over the following estimated useful lives:

Description	Percentage
Office equipment	20%
Leasehold improvements	5%
Motor vehicles	20%
Furniture and fixtures	10%
Computers	12.5%
Machinery and equipment	20%
Advertising boards	20%
Air conditioners	20%

The depreciation method, estimated residual values, and estimated useful lives are reviewed annually.

Property, plant and equipment, and any significant component initially recognized as part of an asset, are derecognized upon disposal or when no further future economic benefits are expected from their use or disposal. Any gain or loss arising from derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the statement of profit or loss at the date the asset is derecognized. The carrying amount of an asset is reduced immediately to its recoverable amount if its carrying amount exceeds the estimated recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025
(All amounts are expressed in Saudi Riyals)

4- MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4-5 Intangible assets

Intangible assets acquired separately are measured at cost on initial recognition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite live are amortized over the useful economic life 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 is 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 is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss and other comprehensive income in the expense category that is consistent with the function of the intangible assets.

Intangible assets represented by computer programs are depreciated based on a useful life of 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 on derecognition asset the asset (calculated as the difference between the net disposal proceeds and the carrying asset of the asset) is included in the statement of profit or loss and other comprehensive income.

4-6 Impairment of non-current assets

The Company assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use, and is determined for an individual asset, unless the asset generates cash inflows that are largely independent of those of other assets or companies of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and 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 to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses of continuing operations are recognised in the statement of profit or loss and other comprehensive income in those expense categories consistent with the function of the impaired asset

For all assets, an assessment is made at each reporting date to determine whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the Company estimates the recoverable amount of the asset or the cash-generating unit. 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 such 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 in prior years. The reversal is recognized in the statement of profit or loss and other comprehensive income. Non-financial assets that have suffered impairment are reviewed at each reporting date to assess whether any reversal of impairment is appropriate.

4-7 Financial instruments

a) Financial assets

• **Classification of financial assets**

The Company's financial assets are classified and measured into the following categories:

- Fair value through profit or loss (FVTPL)
- Fair value through other comprehensive income (FVTOCI).
- Amortized cost

These classifications are on the basis of business model of the Company for managing the financial assets, and contractual cash flow characteristics.

The Company does not have any financial assets measured at fair value.

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4- MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

7- 4 Financial instruments (continued)

Financial assets (continued)

- **Recognition and der-recognition**

On initial recognition, the Company measures financial at amortized cost when it is within the business model to hold assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company measures financial assets at their fair value, plus transaction costs that are directly attributable to the acquisition of the financial assets, in the case of financial assets that are not at fair value through profit or loss. Transaction cost of financial assets carried at fair value through profit or loss are expensed in the statement of profit or loss and other comprehensive income.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

- **Measurement**

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the assets and the cash flow characteristics of the assets.

Amortized cost: Assets that are held for collection of contractual cash flows assets those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income, if any, from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in the statement of profit or loss and other comprehensive income and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss and other comprehensive income.

Financial assets at FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and other comprehensive income recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other operating income and net impairment expenses are presented as a separate line item in the statement of profit or loss and other comprehensive income.

Financial assets at FVTPL: Assets that do not meet the criteria for amortized cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in the statement of profit or loss and other comprehensive income and presented net within other income in the period in which it arises.

Equity instruments:

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the statement of profit or loss and other comprehensive income following the derecognition of the investment. Dividends from such investments continue to be recognized in the statement of profit or loss and other comprehensive income as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in 'other operating income' in the statement of profit or loss and other comprehensive income, as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

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4- MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

7.4 Financial instruments (continued)

b) Financial liabilities

All financial liabilities are Recognition on in time at which the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognised at fair value less any directly attributable cost.

After initial recognition, they are measured at amortized cost using the effective interest rate method.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. 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 exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of profit or loss and other comprehensive income.

c) Offsetting financial assets and liabilities

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

d) Impairment of financial assets

The Company assesses, on a forward-looking basis, the expected credit losses, associated with its financial assets carried at amortized cost.

For trade receivables and retentions receivable, the Company applies the simplified approach permitted by IFRS 9 "Financial instruments" which requires lifetime expected losses to be recognised from initial recognition of the receivables. The amount of the loss is charged to the statement of profit or loss and other comprehensive income. The Company uses a provision matrix to determine its allowance for expected credit losses but also applies specific provisions when factors other than the age of the debt are known to management and could affect the ability to recover the debt.

Trade receivables and retentions receivable are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, significant decrease in credit worthiness of the customer, the failure of the customer to engage in a repayment plan with the Company, or a failure to make contractual payments for a period of greater than 365 days past due.

4-8 Related parties

a- A person or a close member of his family is related to a reporting entity if that person:

- has control or joint control over the reporting company
- has significant influence over the reporting company; or
- is a member of the key management personnel of the reporting company or a member of the reporting company.

b- If the company is related to the reporting company if any of the following conditions are fulfilled:

- The company and the reporting company are members of the same company (which means that each parent, its subsidiaries and associates are related to the others).
- An associate or joint venture of the other entity (or an associate or joint venture of a member of a company of which the other company is a member).
- Both entities are joint ventures of the same third party.
- A joint venture of a third entity and the other company is a subsidiary of the third company.
- The company is a post-employment benefit plan for the benefit of employees of any either the reporting company or a company related to the reporting company. If the reporting company is itself such a plan, the sponsoring employers are also related to the reporting company.
- The company is controlled or jointly controlled by a person identified in paragraph (a).
- A person identified in paragraph (a) has significant influence over the company or is a member of the key management personnel of the company (or the parent company of the company).
- The entity, or any member of a company of which it is a part, provided key management personnel services to the reporting company or the holding company of the reporting company.

**NOTES TO THE FINANCIAL STATEMENTS
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4- MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4-9 Trade receivables

Trade receivables represent amounts due from customers for products sold in the ordinary course of business. If collection is expected within one year or less, they are measured at the transaction price agreed with the customer under the applicable contract and are classified as current assets. For long-term receivables, they are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less an allowance for expected credit losses, and are presented as non-current assets.

4-10 Inventories

Inventories are recognized at the lower of cost or net realizable value. The cost includes import duties, non-refundable taxes, transport and handling costs and any other directly attributable costs less trade discounts, rebates, and similar items. Costs are assigned to individual items of inventory on the basis of weighted average costs.

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

The cost of inventory is recognised as an expense and included in the cost of revenue.

4-11 Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits held with banks, and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value, if any. Bank overdrafts, if any, are presented within short-term borrowings under current liabilities in the statement of financial position.

4-12 Employees' defined benefit plan

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities for other long-term employee benefits are measured at the present value of the future cash flows expected to be issued by the Company in respect of services rendered by employees up to the reporting date.

Employees' end of service benefits liabilities

The cost of providing benefits for defined benefit plans is determined using the projected unit credit method, with actuarial valuations performed at the end of each annual reporting period. Remeasurements, comprising actuarial gains and losses, are reflected immediately in the statement financial position with charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurements recognized in other comprehensive income are reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in the statement of profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefits liability or asset. Defined benefit costs are categorized as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- Net interest expense or income; and
- Remeasurements.

Curtailment gains and losses are accounted for as past service costs.

The employee termination benefit liabilities recognized in the statement of financial position represents the actual deficit or surplus in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for end of service benefits is at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes any related restructuring costs.

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts are expressed in Saudi Riyals)

4- MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4-13 Trade payables and other payables

Trade payables and other payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables and other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables and other payables are recognised initially at the transaction price and subsequently measured at amortized cost using the effective interest method.

4-14 Provisions and other liabilities

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax commission rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an interest expense.

Onerous contracts - A provision is recognised for onerous contracts when the Company expects that the costs of meeting the obligations under the contract will exceed the economic benefits expected to be received in the statement of profit or loss and other comprehensive income.

4-15 Contingent liabilities

All possible obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company, or all present liabilities arising from past events but not established because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation,

4-16 Share capital

Ordinary shares are classified as equity. Transaction costs directly attributable to the issue of new shares are shown in equity as a deduction.

4-17 Reserves

Reserves are created upon approval of the Ordinary General Assembly, and in such amounts as may serve the interests of the Company or ensure, as far as possible, the distribution of stable dividends to shareholders.

4-18 Dividends

Dividends are recorded in the financial statements in the period in which they are approved by the shareholders' General Assembly.

4-19 Zakat

The Company is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("the Authority"). Zakat is calculated based on the Company's zakat base, and any additional amounts, if any, are recognized when determined to be payable.

4-20 Withholding tax

The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

4-21 Value Added Tax (VAT)

Revenues, expenses and assets are recognised net of the amount of Value Added Tax ("VAT") except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the VAT is recognized as part of the acquisition of the or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to the ZATCA is included as part of receivables or payables in the statement of financial position.

4-22 Revenue recognition

Revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. This is based on the principle that revenue is recognized when control of a good or service is transferred to a customer.

Revenue is measured at the fair value of the consideration received or receivable, considering contractually defined terms of payment and excluding taxes or duty collected on behalf of third parties.

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(All amounts are expressed in Saudi Riyals)

4- MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4-22 Revenue recognition (continued)

The Company recognizes revenue from contracts with customers based on a five-step model as set out in IFRS 15:

- 1- Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- 2- Identify the performance Liabilities in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- 3- Determination of transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- 4- Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.
- 5- Recognize revenue when (or as) the entity satisfies a performance obligation at a point time or over time.

If the consideration promised in a contract includes a variable amount, the Company shall estimate the amount of consideration to which the Company is entitled in exchange for transferring the promised goods or services to a customer. The promised consideration can vary if the Company's entitlement to the consideration is contingent upon the occurrence or non-occurrence of a future event. The amount of consideration can vary due to costs incurred in "cost-plus" contracts, penalties, or other similar items. The variance related to the consideration promised to the customer, if any, is explicitly stated in the contract. Accordingly, the Company estimates the amount of variable consideration using the most probable amount under the terms of the contract, subject to the limitations in IFRS 15.

The Company satisfies a performance obligation and recognizes revenue over time if one of the following criteria is met:

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

For the performance obligations where one of the above conditions is not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

- Revenue from services is recognized when the services are completed and billed to customers.
- Revenue from services related to the delivery, installation, and maintenance of items sold to customers is recognized when the services are completed and billed to customers.

4-23 Expenses

Selling and marketing expenses primarily consist of costs incurred in promoting the Company's services. All other expenses are classified as general and administrative expenses.

General and administrative expenses include direct and indirect costs not specifically part of contract costs. Allocations between General and administrative expenses and selling and marketing expenses and contract costs, when required, are made on a consistent basis.

4-24 Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the following:

- the profit attributable to shareholders of the Company, excluding any costs of servicing equity other than ordinary shares,
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for the bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share

Diluted earnings per share is used to adjust the figures used in determining basic earnings per share by taking into account the following:

- The effect of interest and other financing costs associated with dilutive potential ordinary shares, net of income tax, and

The weighted average number of additional ordinary shares that would be outstanding assuming the conversion of all dilutive potential ordinary shares.

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4- MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4-25 The Company's leasing activities and how they are accounted for

The Company as lessor:

The Company leases various land and buildings, typically under fixed-term lease contracts that may include extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than providing security interests in the leased assets retained by the lessor. However, the leased assets may not be used as collateral for borrowing purposes. For leases in which the Company is the lessee, refer to Note 8.

The Company assesses whether a contract is, or contains, a lease at the inception of the arrangement. The Company recognizes right-of-use assets and corresponding lease liabilities for all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a term of 12 months or less) and leases of low-value assets. For such leases, the Company recognizes lease payments as operating expenses on a straight-line basis over the lease term, unless another systematic basis is more representative of the pattern in which the economic benefits from the leased asset are consumed.

When determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. Extension options are included in the lease term only when it is reasonably certain that the lease will be extended. In determining the lease term, management generally considers factors such as historical lease terms, costs, and business disruption associated with replacing the leased asset, some contracts contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease liabilities

Lease liabilities are initially measured at the net present value of the lease payments unpaid at the commencement date. Lease payments are discounted using the interest rate implicit in the lease. If this rate cannot be readily determined, which is generally the case for the Company's leases, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain assets of similar value to the right-of-use assets in a similar economic environment with similar terms, security, and conditions.

To determine the incremental borrowing rate, the Company:

- uses, where possible, recent third-party financing obtained by the individual lessee as a starting point, adjusted to reflect changes in financing terms since the receipt of the third-party financing.
- uses the cumulative catch-up approach that begins with a risk-free interest rate adjusted for credit risk for leases held by the individual lessee that do not have recent third-party financing.
- makes lease-specific adjustments, such as term, country, currency, and security.

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

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

Lease payments to be made under reasonably certain extension options, are also included in the measurement of the liability.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

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

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

Right-of-use assets

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

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4- MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4-25 The Company's leasing activities and how they are accounted for (continued)

Right-of-use assets (continued)

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

The Company applies IAS 36 'Impairment of Assets' to determine whether a RoU asset is impaired, and accounts for any identified impairment loss.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liabilities and the right-of-use assets. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included within profit or loss.

Where the company is exposed to potential future increases in variable lease payments based on an index or rate, these are not included in the lease liabilities until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liabilities are reassessed and adjusted against the right-of-use assets.

Lease payments are allocated between principal and finance debt cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Company as lessor

When the Company is the lessor, it determines, at lease inception, whether the lease is a finance lease or an operating lease.

To classify each lease, the Company makes a comprehensive assessment of whether the lease transfers substantially all of the risks and benefits incidental to ownership of the identified asset. If so, the lease is a finance lease; if not, it is an operating lease. As part of this assessment, the Company considers specific indicators such as whether the lease term represents the major part of the economic life of the identified asset.

Initial measurement: in case of finance leases: The Company uses the interest rate implicit in the lease to measure the net investment in the lease.

At the inception date, the lease payments included in the measurement of the net investment in the lease include the following payments for the right to use the identified asset during the lease term that are not received at the inception date:

- (a) Fixed payments;
- (b) Variable lease payments that depend on an index or rate;
- (c) Any residual value guarantees provided to the lessor by the lessee, a party related to the lessee, or a third party unrelated to the lessor that is financially capable of fulfilling the obligations under the guarantee; and
- (d) The exercise price of purchase options, if the lessee is reasonably certain to exercise the options.

Upon subsequent measurement, the Company recognizes finance income over the lease term, based on a pattern that reflects a constant periodic rate of return on the lessor's net investment in the lease.

Initial measurement: in case of operating leases: The Company recognizes lease payments from operating leases as income either on a straight-line basis or another systematic basis. The Company applies another systematic basis if that basis is more representative of the pattern of diminishing benefits from the use of the identified asset.

Upon subsequent measurement, the Company applies IAS 36 to determine whether the identified asset subject to an operating lease is impaired and to account for any identified impairment loss.

When the Company is an intermediate lessor, it accounts for its interest in the head lease and the sublease separately. The classification of a sublease is assessed by reference to the right-of-use arising from the head lease, rather than the specific asset. If the head lease is a short-term lease, the Company applies the exemption, and the sublease must be classified as an operating lease.

If the contracts include both lease and non-lease components, the company allocates the consideration in the contract using IAS 15 Allocating Consideration in a Contract.

4-26 Fair value

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. Fair value measurement is based on the presumption that the transactions to sell the asset or transfer the liability takes place either:

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

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4- MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4-26 Fair value (continued)

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

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

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

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

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

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable (unobservable inputs). For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Company determines the policies and procedures for both recurring fair value measurement, and for non-recurring measurement

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

5 - ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in accordance with IFRS for SMEs that is endorsed in the Kingdom of Saudi Arabia requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognized prospectively.

5-1 Critical judgements in applying the Company's accounting policies

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

• **Determining the timing of revenue recognition**

Management exercises professional judgment in determining the point at which control of goods or services transfers to the customer. Revenue is recognized at a specific point in time when control is transferred to the customer in accordance with the contractual terms.

• **Going concern**

The Company's management has assessed the Company's ability to continue as a going concern and is satisfied that the Company has sufficient resources to continue its operations in the foreseeable future. In addition, the management has no material doubts about the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

• **Depreciation of property and equipment and intangible assets**

The Company's assets are depreciated on a straight-line basis over their estimated economic productive lives.

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5 - ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

5-1 Critical judgements in applying the Company's accounting policies (continued)

• **Determining the lease term with extension and termination options: The Company as a lessee**

In determining the lease term, the Management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment. During the current fiscal during, there was no material financial impact for reviewing the terms of the lease contracts to reflect the effect of exercising options for extension or termination.

5-2 Critical estimates and assumptions

The following are the estimates made by management in the process of applying the Company's accounting policies that have a significant impact on the amounts recognized in the financial statements:

• **Estimate of useful lives of property, plant and equipment**

The management estimates the useful lives of property and equipment for calculating depreciation. The cost of property and equipment is depreciated over its estimated useful life, which is estimated based on expected usage and obsolescence of the assets, maintenance and repair programs, as well as technical obsolescence and recoverable value of the assets. Management reviews the residual value and useful lives annually and future depreciation charges are adjusted where management believes the useful lives differ from previous estimates.

• **Estimation of the useful lives of intangible assets**

Management estimates the useful lives of intangible assets for the purpose of determining amortization expense. The cost of these assets is allocated over their estimated useful lives, which are determined based on the expected period of economic benefit, technological obsolescence, market developments, and the assets' recoverable amount. Management reviews the useful lives and residual values annually, and future amortization is adjusted when management determines that the useful lives differ from previous estimates.

• **Lease discount rate**

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

• **Allowance for expected credit losses**

The Company uses a model to estimate lifetime expected credit losses (ECL) for financial assets that have not experienced a significant increase in credit risk as well as those that have. The Company applies the simplified approach using a provision matrix to measure expected credit losses for trade receivables, which typically consist of a very large number of small balances.

To measure expected credit losses, trade receivables are grouped based on shared credit risk characteristics and the aging profile of the receivables. Historical loss rates are adjusted to reflect current and forward-looking information based on macroeconomic indicators that affect the customers' ability to settle their outstanding balances.

• **Actuarial valuation of employee end-of-service benefits**

The present value of the pension obligations depends on a number of factors that are determined using actuarial valuations which uses a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Company determines the appropriate discount rate at the end of each year. This discount rate is the interest rate used to determine the present value of estimated future cash flows expected to be required to settle the end-of-service obligations. In determining the appropriate discount rate, the Company considers interest rates on high-quality corporate bonds, provided that the term of the bonds is consistent with the estimated term of the end-of-service benefit liabilities.

• **Inventory impairment provision**

Management assesses and records a provision for slow-moving or obsolete inventory items, if any. Inventory is measured at the lower of cost or net realizable value, and estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made. These estimates take into account price fluctuations and costs that are directly related to events occurring after the financial statements' reporting date.

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5- ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

5-2 Critical estimates and assumptions (continued)

- **Impairment of non-current assets**

The value of a non-financial asset is reduced when the carrying amount of the asset or cash-generating unit (CGU) exceeds its recoverable amount, which is the higher of an asset's fair value less costs of disposal and its value in use. The fair value of an asset is estimated using arm's-length transactions for identical assets or observable market prices for similar assets, less the incremental costs of disposal.

Value in use is calculated based on the present value of the expected future cash flows of the asset over the next five years and does not include cash flows from future restructuring activities to which the Company is not yet committed, nor from significant future capital investments that would enhance the asset's performance.

The recoverable amount is most sensitive to the discount rate applied to future cash flows, as well as to the expected future cash flows and the growth rate used in estimating value in use.

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6- PROPERTY, PLANT AND EQUIPMENT

	Office equipment	Leasehold improvements	Motor vehicles	Furniture and fixtures	Computers	Machinery and equipment	Advertising boards	Air conditioners	Total
Cost:									
Balance at January 1, 2024	1,832,046	-	1,172,116	135,483	398,647	508,100	119,495	280,817	4,446,704
Additions during the year	122,614	502,177	86,522	198,338	41,386	-	73,000	6,043	1,030,080
Disposals during the year	-	-	(730,369)	-	-	-	-	-	(730,369)
Balance as of December 31, 2024	1,954,660	502,177	528,269	333,821	440,033	508,100	192,495	286,860	4,746,415
Additions during the year	15,984	42,035	-	-	36,758	-	-	4,200	98,977
Disposals during the year	-	-	(21,739)	-	-	-	-	-	(21,739)
Balance as of December 31, 2025	1,970,644	544,212	506,530	333,821	476,791	508,100	192,495	291,060	4,823,653
Accumulated depreciation:									
Balance at January 1, 2024	1,315,181	-	660,723	79,626	362,926	439,768	112,532	202,688	3,173,444
Charge during the year	142,453	13,060	122,445	9,863	14,740	20,000	4,643	23,461	350,665
Disposals during the year	-	-	(624,682)	-	-	-	-	-	(624,682)
Balance as of December 31, 2024	1,457,634	13,060	158,486	89,489	377,666	459,768	117,175	226,149	2,899,427
Charge during the year	136,546	32,275	119,439	29,560	20,879	20,000	16,922	22,729	398,350
Disposals during the year	-	-	(15,701)	-	-	-	-	-	(15,701)
Balance as of December 31, 2025	1,594,180	45,335	262,224	119,049	398,545	479,768	134,097	248,878	3,282,076
Net Book Value									
As of December 31, 2025	376,464	498,877	244,306	214,772	78,246	28,332	58,398	42,182	1,541,577
As of December 31, 2024	497,026	489,117	369,783	244,332	62,367	48,332	75,320	60,711	1,846,988
Depreciation charge for the year has been allocated as follows:									
General and administrative expenses					Note 23		2025	2024	
							398,350		350,665
							398,350		350,665

The Company has fully depreciated property, plant and equipment with a carrying amount of SAR 2,113,853 that are still in use (2024: SAR 2,645,917).

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7 - INTANGIBLE ASSETS

	<u>Note</u>	<u>Computers</u>
<u>Cost:</u>		
Balance at January 1, 2024		1,075,542
Additions during the year		-
Balance at December 31, 2024		1,075,542
Additions during the year		-
Balance at December 31, 2025		1,075,542
<u>Accumulated amortization</u>		
Balance at January 1, 2024		675,405
Charge during the year	23	41,394
Balance at December 31, 2024		716,799
Charge during the year	23	41,393
As of December 31, 2025		758,192
<u>Net Book Value</u>		
Balance at December 31, 2025		317,350
As of December 31, 2024		358,743

The Company holds fully amortized intangible assets that are still in use, amounting to SAR 646,824 (2024: SAR 646,824).

8 - RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

a) The Company's leasing activities and how they are accounted for:

The Company primarily leases several showrooms. Lease are usually concluded for fixed periods of 1 to 5 years. Leases may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components on the basis of their relative stand-alone prices.

The Company did not have any lease contracts classified as Right-of-Use (ROU) assets that are variable in nature. Certain lease contracts include extension options exercisable by the Company before the end of the non-cancellable period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. These extension options are exercisable only by the Company. At the lease commencement date, the Company assesses whether it is reasonably certain to exercise such options. The Company does not provide residual value guarantees in relation to any of its leases.

The Company leases premises under agreements with terms of less than one year. These leases are either short-term or low-value; accordingly, they are recognized as an expense when incurred and are not capitalized as Right-of-Use assets.

b) Right-of-use assets

	<u>Note</u>	<u>2025</u>	<u>2024</u>
<u>Cost:</u>			
Balance at January 1		4,685,719	4,387,579
Adjustment during the year		-	298,140
Balance at December 31		4,685,719	4,685,719
<u>Accumulated amortization</u>			
Balance at January 1		2,883,382	2,317,373
Additions during the year	23	600,778	566,009
Balance at December 31		3,484,160	2,883,382
<u>Net Book Value</u>			
As of December, 31		1,201,559	1,802,337

c) Lease liabilities

Lease liabilities are presented in the statement of financial position as follows:

	<u>2025</u>	<u>2024</u>
Current portion	673,706	624,884
Non-current portion	714,660	1,388,371
	1,388,366	2,013,255

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8 - RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

c) Lease liabilities (continued)

	<u>2025</u>	<u>2024</u>
Balance at January 1	2,013,255	2,281,538
Adjustment during the year	-	298,140
Finance costs	77,116	97,242
Payment during the year	(702,005)	(663,665)
Balance at December 31	<u>1,388,366</u>	<u>2,013,255</u>
	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Within one complete year	722,000	712,214
More than one year and less than five years	732,000	1,912,254
Net minimum lease payments	1,454,000	2,624,468
Deferred financing costs	(65,634)	(611,213)
Lease liabilities	<u>1,388,366</u>	<u>2,013,255</u>

d) Amounts recognised in the statement of profit or loss and other comprehensive income during the years ended December 31:

	<u>Note</u>	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Amortization of right-of-use assets	23	600,778	566,009
Interest expense		77,116	97,242
Expenses related to short-term leases (representing equipment rentals and employee accommodation for less than one year)	23	386,917	337,067
Payments of Lease Liabilities		(702,005)	(663,665)

9 - INVENTORIES

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Finished products	26,084,448	22,147,952
Goods in transit	1,332,528	-
	<u>27,416,976</u>	<u>22,147,952</u>
Less: Allowance for impairment of inventory (A)	(828,803)	(728,803)
	<u>26,588,173</u>	<u>21,419,149</u>

a) The movement in the inventory impairment provision is as follows:

	<u>Note</u>	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Opening balance		728,803	864,327
Charge for the year	21	100,000	120,000
Utilization during the year		-	(255,524)
Closing balance		<u>828,803</u>	<u>728,803</u>

10 - TRADE RECEIVABLES

	<u>Note</u>	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Trade receivables - third party		12,405,140	12,375,267
Trade receivables - related parties	11-b	541,458	1,053,978
		<u>12,946,598</u>	<u>13,429,245</u>
Allowance for expected credit losses		(543,031)	(300,676)
		<u>12,403,567</u>	<u>13,128,569</u>

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10- TRADE RECEIVABLES, NET (CONTINUED)

The movement in allowance for expected credit losses is as follows:

	December 31, 2025	December 31, 2024
Balance at January 1	300,676	300,676
Charge during the year	242,355	-
	543,031	300,676

The Company applies a provision matrix to calculate lifetime expected credit losses (ECL) on trade receivables. This approach uses specific provision rates applied to aging buckets for receivables that have passed their due dates. The provision matrix is developed based on historical default patterns and loss rates, adjusted for the probability of delay (PD) and loss given default (LGD).

Historical loss rates are adjusted to reflect current and forward-looking information related to macroeconomic factors that may impact customers' ability to settle their receivables. The Company has identified the Gross Domestic Product (GDP) growth rate and the inflation rate in the Kingdom of Saudi Arabia as the most significant forward-looking indicators. Accordingly, the Company adjusts the loss rates based on expected changes in these factors. Refer to Note 26(a).

11 - RELATED PARTIES

The Company deals with related parties in its normal activities, and these transactions include providing operational services and others. Related party transactions and balances as of December 31 include the following:

Related parties	Nature of relationship	Nature of transaction	December 31, 2025	December 31, 2024
Marsana Car Rental Company	Associate	Car rent	386,662	961,192
Balubaid Group Holding Company	Associate	Expenses paid on behalf	538,410	357,640
Omar Abu Bakr Balubaid Company Limited	Shareholder	Sales	687,926	668,955
Ahmed Omar Abu Bakr Balubaid Holding Company	Shareholder	Expenses paid on behalf	58,500	18,680
Balubaid Motors Company Limited	Associate	Sales	9,411	1,151,748
United Frame Area Company	Associate	Sales	103,397	519,886
Building Lines Contracting Company	Associate	Provision of services	19,138	550,440
Dhiab Car Rental Company	Executive Officers	Sales	1,909,332	-
Arabic plant for lubricants and grease	Associate	Sales	36,582	-
Jozoor Trading Company	Associate	Sales	7,690	-

a- Balance due from related parties is comprised of the following:

	December 31, 2025	December 31, 2024
Omar Abu Bakr Balubaid Company Limited	-	418,362
Balubaid Company Holding Company	-	206,379
Ahmed Omar Abu Bakr Balubaid Holding Company	-	18,681
	-	643,422

b- Balance due from related parties and classified under trade receivables is as follows:

	Note	December 31, 2025	December 31, 2024
United Frame Area Company		538,533	500,395
Balubaid Motors Company Limited		2,925	553,583
	10	541,458	1,053,978

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11- RELATED PARTIES (CONTINUED)

c- Balance due to related parties is as follows:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Balubaid Group Holding Company	155,793	-
Core three company for management consulting	121,476	321,794
Marsana Car Rental Company	19,834	40,721
jozoor Trading Company	7,690	-
Omar Abu Bakr Balubaid Company	3,208	-
Building Lines Contracting Company	-	121,051
	<u>308,001</u>	<u>483,566</u>

d- The following table shows the significant transactions with key executives and the board of Directors during the year:

	<u>2025</u>	<u>2024</u>
Executive management's salaries and allowances	1,449,100	575,545
Board of Directors and Audit Committee Remuneration	977,233	-
Defined Benefit Obligations	62,250	44,610
	<u>2,488,583</u>	<u>620,155</u>

12 - PREPAYMENTS AND OTHER RECEIVABLES

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Advances to suppliers	868,623	1,611,548
Prepayments	235,549	202,385
Employee loan	221,735	200,703
Letter of guarantee	195,881	215,784
Other	2,600	106,512
Deferred listing expenses	-	1,785,815
	<u>1,524,388</u>	<u>4,122,747</u>

13 - CASH AND CASH EQUIVALENTS

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Term Deposits	10,300,000	-
Cash at banks	1,679,823	9,536,205
Cash in hand	22,245	67,435
	<u>12,002,068</u>	<u>9,603,640</u>

-The Company holds cash at local banks with high credit ratings. (note 26-a)

-Term deposits represent amounts deposited with local banks with high credit ratings, maturing within a period not exceeding three months from the date of deposit. These deposits yield returns amounting to SAR 386,973 (Note 24)

14 - SHARE CAPITAL

On 4 Dhu al-Hijjah 1445H (corresponding to June 10, 2024), the partners resolved to convert the company from a limited liability company to a closed Saudi joint stock company, along with all its rights, obligations, employees, classification, licenses, and all its financial, technical, administrative, and operational elements. The partners' shares were converted into shares with a nominal value of SAR 10 each. The company's Articles of Association and Commercial Registration were amended accordingly.

As of 31 December 2024, the Company's share capital amounted to SAR 24,000,000, divided into 2,400,000 ordinary shares of equal value, with a par value of SAR 10 per share. The shares were distributed among the shareholders as follows:

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14. SHARE CAPITAL (CONTINUED)

	Country of incorporation	Number of shares	Value per share	Value	Percentage
Ahmed Omar Abu Bakr Balubaid Holding Company	Saudi Arabia	2,112,000	10	21,120,000	88%
Omar Abu Bakr Balubaid Company Limited	Saudi Arabia	288,000	10	2,880,000	12%
		<u>2,400,000</u>		<u>24,000,000</u>	<u>100%</u>

"On 8 Jumada al-Thani 1446H (corresponding to 9 December 2024), the Capital Market Authority (CMA) announced its approval of the Company's application for the registration and offering of 720,000 shares, representing 30% of its existing shares, on the Parallel Market (Nomu). These shares, owned by the Company's current shareholders, were offered for subscription to new shareholders. The Company's shares were subsequently listed on the Saudi Exchange (Tadawul) on 6 Dhu al-Qi'dah 1446H (corresponding to 4 May 2025) under the trading symbol 9633.

On 6 Dhu al-Qi'dah 1446H (corresponding to 4 May 2025), the Company listed 720,000 shares, representing 30% of its existing shares, on the Parallel Market (Nomu) under the trading symbol 9633. Accordingly, the shareholding structure became as follows:"

	Country of incorporation	No. of shares	Value of shares	Value	Percentage
Ahmed Omar Abu Bakr Balubaid Holding Company	Saudi Arabia	1,478,400	10	14,784,000	61.6%
Omar Abu Bakr Balubaid Company Limited	Saudi Arabia	201,600	10	2,016,000	8.4%
Other	Saudi Arabia	720,000	10	7,200,000	30%
		<u>2,400,000</u>		<u>24,000,000</u>	<u>100%</u>

15 - RESERVE

In accordance with the Company's article of association, the reserve are formed upon the approval of the Ordinary General Assembly, to the extent that achieve the Company's interests or to keep the shareholders' dividends constant as far as possible. Accordingly, alignment with the new Companies Law has been achieved; however, the General Assembly did not approve the formation of any reserve during the year.

On 13 October 2025, the Extraordinary General Assembly approved the transfer of the statutory reserve, amounting to SAR 600,000, to retained earnings.

16 - Dividends

On 13 October 2025, the Extraordinary General Assembly approved dividends amounting to SAR 3,600,000 at SAR 1.5 per share (2024: Nil).

17 - EMPLOYEE BENEFIT PLAN LIABILITIES

17-1 General description of the plan

The Company operates a defined benefit plan in line with the requirements of the Saudi Arabian Labor Law. End-of-service benefit payments under the plan are based on employees' final salaries and allowances and their cumulative years of service at the date of termination, as specified under the terms and conditions set forth in the Saudi Arabian Labor Law. The employees' end-of-service benefit plans are unfunded plans, and the benefit payment obligations are met as they fall due upon termination of service. An independent actuary performed a valuation of the employee benefit liabilities using the Projected Unit Credit Method as of 31 December 2025 and 2024.

The following table summarizes the components of the net benefit expense recognized in the statement of profit or loss and other comprehensive income, and the amounts recognized in the statement of financial position.

17-2 Movement in present value of employee plan benefit liabilities

	Note	December 31, 2025	December 31, 2024
Balance as of January 1		968,879	1,142,100
Included in the statement of profit or loss:			
Current service cost	23	247,207	291,954
Interest expense		53,288	60,773
		<u>300,495</u>	<u>352,727</u>
<i>Included in other comprehensive income items</i>			
Effect of change in actuarial assumptions		21,454	(463,139)
Remeasurement losses /(gains) of employees benefit plan obligations		21,454	(463,139)
Benefits paid during the year		(81,606)	(62,809)
Balance as of December 31		<u>1,209,222</u>	<u>968,879</u>

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17- EMPLOYEE BENEFIT PLAN LIABILITIES (CONTINUED)

17-3 Actuarial assumptions

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Discount rate	5.5%	5.60%
Salary growth rate	2%	2%

17-4 Sensitivity analysis:

Below is a quantitative sensitivity analysis of significant assumptions regarding the balance of employee benefit plan liabilities:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
<u>Discount rate</u>		
1% increase in discount rate	1,112,485	924,208
1% decrease in discount rate	1,318,053	1,017,214
<u>Salary growth rate</u>		
1% increase in salary growth rate	1,305,961	1,018,485
1% decrease in salary growth rate	1,124,578	922,255

18 - ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Accrued expenses	1,629,223	420,779
Value Added Tax (VAT)	817,988	830,983
Advances from customers	653,353	406,814
Other	-	29,918
	<u>3,100,564</u>	<u>1,688,494</u>

19 - ZAKAT

a) The elements of the zakat base are as follows:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
<u>Adjustment to net income:</u>		
Net profit before zakat	7,141,979	17,316,598
Add: Non-deductible expenses	-	8,296
Adjusted net profit for the year (minimum base)	<u>7,141,979</u>	<u>17,324,894</u>
<u>Zakat base:</u>		
Equity and Its Equivalents	45,408,396	42,963,101
Liabilities and Their Equivalents (to the extent of deductions)	1,923,882	2,635,736
Adjustments to Adjusted Net Income	-	8,296
Less: Deductions and their equivalents	<u>(3,060,486)</u>	<u>(4,008,068)</u>
Zakat Base	<u>44,271,792</u>	<u>41,599,065</u>
Zakat payable for the year	<u>1,141,187</u>	<u>1,075,230</u>

The movement in zakat provision is as follows:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Opening balance	1,075,230	554,952
Charge for the year	1,141,187	1,075,230
Payments during the year	(1,075,230)	(554,952)
Closing balance	<u>1,141,187</u>	<u>1,075,230</u>

Zakat is calculated in accordance with the new 1445H Regulations issued by the Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia. The Zakat provision has been calculated based on the Zakat base for a period of 365 days.

b) Zakat assessments

The Company has finalized its Zakat status with the Zakat, Tax and Customs Authority ("ZATCA") regarding the funds subject to Zakat assessment up to 31 December 2020. Accordingly, it obtained a final Zakat assessment, and the settlement was completed on 31 October 2023. Furthermore, the Company has filed its Zakat returns for the subsequent years up to 2024 and obtained a Zakat certificate valid until 30 April 2026.

During the year 2025, the Company received the Zakat assessment for the year 2024, which was settled without any Zakat differences for the Company.

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20 - SALES, NET

	Timing of revenue recognition	2025	2024
Revenue from sale of products	At a specific point in time	68,062,661	78,621,120
Revenue from maintenance services	At a specific point in time	1,866,983	2,545,248
Total sales		69,929,644	81,166,368
Less:			
Cash discounts		(16,665,543)	(21,488,095)
Sales returns		(2,745,836)	(2,240,838)
Net sales		50,518,265	57,437,435

The Company's sales are generated from sales of the following categories:

	2025	2024
Private companies	42,010,838	53,980,273
Government entities	4,410,351	1,507,988
Individuals	4,097,076	1,949,174
Net sales	50,518,265	57,437,435

The amounts related to the warranty costs of goods sold are insignificant, and therefore no provision was made for them during the year.

All of the Company's revenues are generated from its operations within the Kingdom of Saudi Arabia.

21 - COSTS OF SALES

	Note	2025	2024
Cost of goods sold	21 - A	27,181,046	28,234,865
Damaged inventories expense	9 - A	100,000	120,000
Other operating expenses		774,447	1,063,857
		28,055,493	29,418,722

21-a Cost of goods sold

	Note	2025	2024
Opening inventories		22,147,952	17,099,628
Purchases during the period		31,117,542	33,283,189
Finished goods inventory	9	(26,084,448)	(22,147,952)
		27,181,046	28,234,865

22 - Selling and marketing expenses

	2025	2024
Sales commissions	396,783	411,492
Advertising	136,988	118,876
	533,771	530,368

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23 - GENERAL AND ADMINISTRATIVE EXPENSES

	<u>Note</u>	<u>2025</u>	<u>2024</u>
Wages and salaries and allowances		7,706,070	5,517,525
Senior management allowances and bonuses		977,234	-
Government fees		824,392	741,801
Amortization of right-of-use assets	8-b	600,778	566,009
Travel and transportation		503,009	437,821
Medical insurance and healthcare		435,899	291,465
Freight and carriage		434,668	472,588
Depreciation of property, plant and equipment	6	398,350	350,665
Rents	8-d	386,917	337,067
Professional fees		349,750	234,500
General organization of social insurance expense		338,486	276,001
Maintenance and repairs		308,723	276,460
Administrative incentives and bonuses		300,500	-
Fees and subscriptions		294,749	298,610
Current service cost of employee benefit liabilities	17-b	247,207	291,954
Fuel and lubricants		236,879	189,453
Telephone and internet		174,337	111,001
Bank charges		162,410	150,810
Technician incentives		119,455	158,127
Utilities		90,995	71,113
Hospitality		80,856	54,247
Insurance		61,624	75,890
Amortization of intangible assets	7	41,393	41,394
Stationery		24,374	28,319
Cleaning		23,797	18,101
Tenders		11,500	10,973
Others		423,455	157,105
		<u>15,557,807</u>	<u>11,158,999</u>

24 - OTHER INCOME

	<u>Note</u>	<u>2025</u>	<u>2024</u>
Interest on Deposits	13	386,973	-
Foreign exchange gains		375,915	267,616
Gain from disposal of property and equipment		17,439	467,814
Other		363,217	409,837
		<u>1,143,544</u>	<u>1,145,267</u>

25 - Finance Costs

	<u>Note</u>	<u>2025</u>	<u>2024</u>
Finance costs on lease liabilities	8-c	77,116	97,242
Interest expense on employee benefit obligations	17-b	53,288	60,773
		<u>130,404</u>	<u>158,015</u>

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts are expressed in Saudi Riyals)

26 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Management has overall responsibility for the Company and oversees the Company's risk management framework. The Company's risk management policies are designed to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's audit committee is assisted in its oversight role by internal audit. Internal audit performs both regular and ad hoc reviews of risk management controls and procedures, and the findings are reported to management. The Company monitors is continuously monitoring the evolving scenario and any further change in the risk management policies will be reflected in the future reporting periods.

The Company has exposure to the following risks arising from financial instruments.

- Credit risk
- Liquidity risk
- Market risks (currency risk, fair value and cash flow risk, interest rate risk, and price risk).

a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company's financial instruments that are subject to credit risk primarily include cash from banks, trade receivables, and due from related parties. The Company places its cash at reliable banks with high credit ratings. The Company has a policy regarding the amount of cash deposited in each bank, and management does not expect significant credit risk. Management also does not expect significant credit risk from customer accounts, as it has a broad customer base operating in various businesses and locations. It also monitors outstanding trade receivables and customer guarantees to cover any debts that are not expected to be collected.

The maximum exposure to credit risk at the reporting date are as follows:

	Note	December 31, 2025	December 31, 2024
Financial instruments			
Trade receivables	10	12,946,598	13,429,245
Term Deposits		10,300,000	-
Cash at banks	13	1,679,823	9,536,205
Due from related parties	11-a	-	643,422
Letters of Guarantee	12	195,881	215,784
		25,122,302	23,824,656

The Company holds cash at local banks with high credit ratings according to Fitch as follows:

Credit Grade	December 31, 2025	December 31, 2024
A+	1,348,732	2,519,027
A-	10,631,091	7,017,178
	11,979,823	9,536,205

The Company uses the forward-looking 'expected credit loss' (ECL) model. Cash at banks are placed at banks with sound credit ratings. Employee receivables and other receivables are considered to have low credit risk; therefore, 12- months expected loss model was used for impairment assessment. Based on management's impairment assessment, there is immaterial provision required in respect of these balances for all the years presented.

For trade receivables, the Company applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime credit expected credit loss provision for all trade receivables based on a provision matrix. To measure the expected credit losses, trade receivables have been categorized based on the shared credit risk characteristics and the days past due.

The provision matrix takes into account historical credit loss experience and is adjusted for average historical recovery rates. The loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified inflation rate of to be the most relevant macro-economic factors of forward looking information that would impact the credit risk of the customers, and accordingly adjusts the historical loss rates based on expected changes in these factors.

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FOR THE YEAR ENDED DECEMBER 31, 2025**

(All amounts are expressed in Saudi Riyals)

26- FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

a) Credit risks (continued)

The following table provides information about the exposure to credit risk and expected credit losses for trade receivables from external customers:

As of December 31, 2025	Weighted average loss rate	Gross carrying amount	Impairment
Not yet due	-	5,382,619	-
days maturity period 0 - 90	4.36%	1,994,127	86,946
days maturity period 90 - 180	16.33%	1,525,790	249,111
days maturity period 180 - 270	7.94%	586,472	46,574
days maturity period 270 - 360	16.13%	740,706	119,493
More than 360 days maturity period	1.92%	2,131,740	40,907
Total private sector receivables / total provision		12,361,454	543,031
Government receivables		585,144	-
Total		12,946,598	543,031

As of December 31, 2024	Weighted average loss rate	Gross carrying amount	Impairment
Not yet due	-	2,565,895	-
days maturity period 0 - 90	2.7%	5,783,907	154,164
days maturity period 90 - 180	4.1%	1,926,641	79,557
days maturity period 180 - 270	2.2%	817,631	18,201
days maturity period 270 - 360	1.9%	1,258,956	23,562
More than 360 days maturity period	2.4%	1,036,215	25,192
Total private sector receivables / total provision		13,389,245	300,676
Government receivables	-	40,000	-
Total		13,429,245	300,676

b) Liquidity risk

Liquidity risk may result when an enterprise encounters a difficulty to sell a financial asset in a timely and quickly manner to prevent or minimize a loss. Liquidity risk is closely managed through the periodic monitoring of available liquidity and current and future liabilities.

As of December 31, 2025	Within 1 year	Between 1 to 5 years	More than 5 years	Total undiscounted cash flows of contractual obligations	Carrying amount
Trade payables	4,164,133	-	-	4,164,133	4,164,133
Accrued expenses and other credit balances	3,100,564	-	-	3,100,564	3,100,564
Due to related parties	308,001	-	-	308,001	308,001
Lease liabilities	722,000	732,000	-	1,454,000	1,388,366
Total	8,294,698	732,000	-	9,026,698	8,961,064

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

(All amounts are expressed in Saudi Riyals)

26- Financial instruments and risk management (continued)

b) Liquidity risk (Continued)

As of December 31, 2024	Within 1 year	Between 1 to 5 years	More than 5 years	Total undiscoun- ted cash flows of contractual obligations	Carrying amount
Trade payables	4,808,300	-	-	4,808,300	4,808,300
Accrued expenses and other credit balances	1,688,494	-	-	1,688,494	1,688,494
Due to related parties	483,566	-	-	483,566	483,566
Lease liabilities	712,214	1,912,254	-	2,624,468	2,013,255
Total	7,692,574	1,912,254		9,604,828	8,993,615

c) Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates, and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control exposure to market risk within acceptable parameters while optimizing returns. Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market profit rates or the market prices of securities due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk.

1. Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in currency that is not the Company's functional currency. The Company's transactions are primarily denominated in Saudi Riyals. Therefore, management believes that the currency risk of its financial instruments is insignificant. The Company's exposure to currency risk arising from currencies to which the Saudi Riyals is not pegged is immaterial to these financial statements.

2. Fair value and cash flow interest rate risk

Interest rate risk is the exposure to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial positions and cash flows. The Company manages the interest rate risk by regularly monitoring the interest rate profiles of its interest-bearing financial instruments. Management monitors changes in interest rates and believes that the Company's exposure to fair value risk is insignificant, as the Company has no interest-bearing financial liabilities except for lease liabilities, for which the effective interest rate is determined at the inception of the lease. There are no interest-bearing financial assets at the end of reporting period.

3. Price risk

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 individual instrument or its issuer or factors affecting all instruments traded in the market. The Company is not exposed to securities price risk as it does not hold any investments.

d) Capital management

The Company's objectives when managing capital are to maintain the Company's ability to continue as a going concern to provide returns to shareholders and interests to other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

To maintain or adjust the capital structure, the Company may adjust the dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

In line with others in the industry, the Company monitors capital based on the gearing ratio. This ratio is calculated by dividing net debt by total capital. Net debt is accounted for as lease liabilities as shown in the statement of financial position. Total capital is calculated as equity, as shown in the statement of financial position, plus net debt.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

(All amounts are expressed in Saudi Riyals)

26- FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

e) Fair value measurement

The Company measures financial instruments and non-financial assets, such as investment properties, at fair value at each balance sheet 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, or, in its absence, in the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

The Company has established practices with respect to the measurement of fair values. Management has overall responsibility for overseeing all significant fair value measurements, including level 3 fair values.

Management regularly reviews significant unobservable inputs and valuation adjustments and engages the services of an external expert to perform a fair valuation of unquoted securities. If third-party information, such as broker quotes or pricing services, is used to measure fair values, then management evaluates the evidence obtained from third parties to support the conclusion that such valuations meet the requirements of International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia, including the level in the fair value hierarchy to which these valuations should be classified.

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

- Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2: Inputs other than quoted prices is included within level 1 that are observable for the asset or liability, either directly (i.e. as market prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the assets or liabilities that are not based on an observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability and fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. During the years ended December 31, 2025 and 2024, there were no transfers into or out of Level 3 fair value measurements.

As of December 31, 2025, and 2024, there were no financial assets or liabilities measured at fair value.

27 - BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net income for the year attributable to the Company's shareholders by the number of ordinary shares outstanding at the year-end, amounting to 2,400,000 shares (December 31, 2024: 2,400,000 shares). Diluted earnings per share are the same as basic earnings per share as the Company has no diluted instruments).

	December 31, 2025	December 31, 2024
Net income for the year attributable to the shareholders of the Company	6,000,792	16,241,368
Weighted average number of ordinary shares for basic earnings per share purposes	2,400,000	2,400,000
Basic and diluted earnings per share – SAR per share	2.50	6.77

28 - CONTINGENCIES AND COMMITMENTS

The Company has outstanding letters of guarantee and letters of credit amounting to SAR 1,340,948, secured by cash margins of SAR 195,881, issued in the ordinary course of business (31 December 2024: SAR 470,025 secured by cash margins of SAR 215,784).

NOTES TO THE FINANCIAL STATEMENTS
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(All amounts are expressed in Saudi Riyals)

29 - SUBSEQUENT EVENTS

In March 2026, geopolitical instability in the Middle East region escalated, which may impact all countries in the region. The Company's management is closely monitoring these developments and has concluded that these events represent non-adjusting events; therefore, they do not require any adjustments to the financial statements. Although the Company's financial position is currently unaffected, management continues to assess any potential future impacts on the business.

30 - APPROVAL OF FINANCIAL STATEMENTS

The Company's financial statements for the year ended 31 December 2025 were approved by the Board of Directors on 23 Ramadan 1447H (corresponding to 12 March 2026).