

ALMAWARID MANPOWER COMPANY
(A Saudi Closed Joint Stock Company)

Consolidated Financial Statements
For the year ended 31 December 2022
With Independent auditors' report

Al Mawarid Manpower Company
(A Saudi Closed Joint Stock Company)
Consolidated Financial Statements
For the year ended 31 December 2022

	Pages
Independent Auditor's Report	1 – 5
Consolidated Statement of Financial Position	6
Consolidated Statement of Profit or Loss and Other Comprehensive Income	7
Consolidated statement of changes in equity	8
Consolidated Statement of Cash Flows	9
Notes to the Consolidated Financial Statements	10 – 52



KPMG Professional Services

Riyadh Front, Airport Road
P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
Commercial Registration No. 1010425494

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

Independent Auditor's Report

To the Shareholders of Al Mawarid Manpower Company (Saudi Closed Joint Stock Company)

Opinion

We have audited the consolidated financial statements of Al Mawarid Manpower Company ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

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

Basis for Opinion

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

Key Audit Matters

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



Independent Auditor's Report (continued)

To the Shareholders of Al Mawarid Manpower Company (Saudi Closed Joint Stock Company)

Key Audit Matters (continued)	
Revenue recognition – see note (4-20) to the consolidated financial statements for the accounting policy relating to revenue recognition and note (21) to the consolidated financial statements for the related disclosures.	
Key audit matter	How the matter was addressed in our audit
<p>During the year ended 31 December 2022, the Group recognized total revenue of SR 945 million (2021: SR 664 million).</p> <p>Revenue from manpower services is recognized over the time and a point in time depending on when the performance obligations are satisfied as per the agreement with the customers. This is dependent on the appropriate assessment of the respective contracts to assess whether the criteria to measure the recognition of revenue as per IFRS 15 'Revenue from Contracts with Customers' is met.</p> <p>Furthermore, Revenue is one of the Group's key performance indicators giving rise to an inherent risk revenue recognition is significant to our audit as the Group might inappropriately account for revenue to overstate profits to meet targets or expectations</p>	<p>Among other things, our procedures included the following:</p> <ul style="list-style-type: none">• Assessing the design and implementation of management's key controls relating to revenue recognition;• Assessing the appropriateness of the Group's revenue recognition accounting policies by considering the requirements of relevant accounting standards;• Testing a sample of revenue transactions made during the year and inspecting underlying supporting documentation;• Testing a sample of revenue credit notes transactions post year-end, to assess that the revenue is recorded in the correct period; and• Considering the adequacy of the related disclosures made by the management in the Group's consolidated financial statements.



Independent Auditor's Report (continued)

To the Shareholders of Al Mawarid Manpower Company (Saudi Closed Joint Stock Company)

Key Audit Matters (continued)	
Key audit matter	How the matter was addressed in our audit
<p>Allowance of expected credit loss on trade receivables – see note (4.23) and (5) to the consolidated financial statements for the accounting policies and estimates relating to trade receivables, and note (10) to the consolidated financial statements for the related disclosures.</p>	
<p>As at 31 December 2022, the Group recognized an allowance of expected credit loss on trade receivables of SR 2.4 million (2021: SR 8.7 million). The total allowance of expected credit losses on trade receivables of SR 28.8 million (2021: SR 28.5 million).</p> <p>The Group applies the simplified approach in calculating expected credit losses on trade receivables, which is based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the credit losses experience, ageing of trade receivables, customers' repayment history and customers' financial position and an assessment of both the current and forward-looking factors specific to the debtors and the economic environment. All of which involves a significant degree of judgment and complexities.</p> <p>Due to significance of trade receivables and the involvement of significant degree of judgments in the expected credit losses calculation, we have identified this as a key audit matter. Furthermore, such allowance is inherently subjective and requires significant management judgement, which increases the risk of error or potential management bias.</p>	<p>Among other things, our procedures included the following:</p> <ul style="list-style-type: none">• Assessing the design and implementation of management's key controls relating to credit control, debt collection and estimation of expected credit losses;• Assessing, on a sample basis, whether items in the trade debtors' ageing report were classified within the appropriate ageing bracket by comparing individual items in the report with underlying documentation, which included revenue invoices and services delivery notes;• Obtaining an understanding of the key parameters and assumptions of the expected credit losses model adopted by the management, including historical default data and management's estimated loss rates;• Involved specialist to assist in evaluating the judgments and estimates;• Assessing the reasonableness of allowance for credit losses estimates by examining the information used by management to form such judgments, including probability of default testing using historical payment data and assessing whether they have been appropriately adjusted based on current economic conditions and forward-looking information;• Inspecting, on a sample basis, cash receipts from customers subsequent to the financial year end relating to trade receivables balances as at 31 December 2022 with bank statements and relevant remittance documentation; and• Considering the adequacy of the related disclosures made by the management in the Group's consolidated financial statements.



Independent Auditor's Report (continued)

To the Shareholders of Al Mawarid Manpower Company (Saudi Closed Joint Stock Company)

Other Information

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

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

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

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

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

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

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

Those charged with governance, the Audit Committee, is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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



Independent Auditor's Report (continued)

To the Shareholders of Al Mawarid Manpower Company (Saudi Closed Joint Stock Company)

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

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

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

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

KPMG Professional Services



Fahad Mubark Al Dossari
License No: 469

Riyadh, 20 Ramadan 1444H
Corresponding to: 11 April 2023



Al Mawarid Manpower Company
(A Saudi Closed Joint Stock Company)
Consolidated Statement of Financial Position
As at 31 December 2022

(All amounts are expressed in Saudi Riyal unless otherwise stated)

	<i>Note</i>	As at 31 December	
		2022	2021
Assets			
Non-current assets			
Property and equipment	6	13,290,668	11,635,201
Intangible assets	7	1,374,037	1,786,656
Right of use assets	8	22,607,698	20,444,531
Used and unused visas and other non-current assets	9	46,603,184	41,444,235
Financial investments at FVTPL	13	4,027,500	-
Total non-current assets		87,903,087	75,310,623
Current assets			
Trade receivables	10	130,646,621	84,164,341
Prepayments and other current assets	11	150,513,813	136,164,976
Due from related parties	12	79,654,109	52,390,288
Financial investments at FVTPL	13	-	30,387,909
Cash and cash equivalents	14	55,380,958	26,627,152
Total current assets		416,195,501	329,734,666
Total assets		504,098,588	405,045,289
Equity and liabilities			
Equity			
Share capital	15	150,000,000	100,000,000
Statutory reserve	16	35,293,412	27,694,675
Contractual reserve	16	-	20,000,000
Retained earnings		107,772,290	85,329,447
Total equity		293,065,702	233,024,122
Liabilities			
Non-current liabilities			
Employees' benefits liabilities	18	25,602,457	27,584,798
Lease liabilities	8	10,157,893	7,295,091
Recruitment agents guarantees		1,178,329	1,172,976
Total Non-current liabilities		36,938,679	36,052,865
Current liabilities			
Trade payables and other current liabilities	19	147,905,112	108,483,866
Retained deposits		7,014,634	7,752,265
Lease liabilities	8	10,670,935	12,216,023
Due to related parties	12	40,180	728,187
Provision for Zakat	20	8,463,346	6,787,961
Total current liabilities		174,094,207	135,968,302
Total liabilities		211,032,886	172,021,167
Total equity and liabilities		504,098,588	405,045,289

The accompanying notes 1 to 32 form an integral part of these consolidated financial statements.

Al Mawarid Manpower Company
(A Saudi Closed Joint Stock Company)
Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2022
(All amounts are expressed in Saudi Riyal unless otherwise stated)

	<i>Note</i>	For the year ended 31 December	
		2022	2021
Revenue	21	944,729,376	663,723,149
Cost of revenue	22	(817,091,395)	(566,863,723)
Gross profit		127,637,981	96,859,426
Selling and marketing expenses	23	(13,271,013)	(6,803,825)
General and administrative expenses	24	(29,609,156)	(23,286,850)
Impairment loss of trade receivables and other current assets	10-11	(3,330,469)	(8,716,746)
Other income	25	2,827,509	4,397,926
Profit from operations before Zakat		84,254,852	62,449,931
Zakat expense	20	(8,267,481)	(6,788,978)
Profit for the year after Zakat		75,987,371	55,660,953
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement gains (losses) on employees' defined benefit obligations	18	4,054,209	(2,042,899)
Total comprehensive income for the year		80,041,580	53,618,054
Earnings per share			
Basic and diluted earnings per share	26	5,07	3,71

The accompanying notes 1 to 32 form an integral part of these consolidated financial statements.

Al Mawarid Manpower Company
(A Saudi Closed Joint Stock Company)
Consolidated Statement of Changes in Equity
For the year ended 31 December 2022

(All amounts are expressed in Saudi Riyal unless otherwise stated)

	<i>Note</i>	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Contractual reserve</u>	<u>Retained earnings</u>	<u>Total</u>
Balance at 1 January 2021		100,000,000	22,136,746	7,714,817	69,554,505	199,406,068
Net income for the year		-	-	-	55,660,953	55,660,953
Other comprehensive loss for the year		-	-	-	(2,042,899)	(2,042,899)
Total comprehensive income for the year		-	-	-	53,618,054	53,618,054
Transfer to statutory reserve	16	-	5,557,929	-	(5,557,929)	-
Transferred to contractual reserve	16	-	-	12,285,183	(12,285,183)	-
Dividend paid to shareholders	17	-	-	-	(20,000,000)	(20,000,000)
Balance at 31 December 2021 and 1 January 2022		100,000,000	27,694,675	20,000,000	85,329,447	233,024,122
Net income for the year		-	-	-	75,987,371	75,987,371
Other comprehensive income for the year		-	-	-	4,054,209	4,054,209
Total comprehensive income for the year	15	-	-	-	80,041,580	80,041,580
Increase of share capital		50,000,000	-	(20,000,000)	(30,000,000)	-
Transfer to statutory reserve	16	-	7,598,737	-	(7,598,737)	-
Dividend paid to shareholders	17	-	-	-	(20,000,000)	(20,000,000)
Balance at 31 December 2022		150,000,000	35,293,412	-	107,772,290	293,065,702

The accompanying notes 1 to 32 form an integral part of these consolidated financial statements.

Al Mawarid Manpower Company
(A Saudi Closed Joint Stock Company)
Consolidated statement of cash flows
For the year ended 31 December 2022

(All amounts are expressed in Saudi Riyal unless otherwise stated)

	<i>Note</i>	For the year ended 31 December	
		2022	2021
Cash flow from operating activities			
Net profit before Zakat		84,254,852	62,449,931
Adjustments for non-cash items:			
Depreciation on property and equipment	6	1,492,477	1,706,375
(Gain) / Loss on disposal of property and equipment	25	(54,976)	1,884
Amortization of intangible assets	7	654,969	712,948
Depreciation on right-of-use of assets	8	13,179,710	10,930,219
Finance costs - leases	8	1,035,503	1,069,639
(Gains) / losses from disposal of Right of Use Assets		(4,536)	64,313
Impairment loss of trade receivables and other current assets	10-11	3,330,469	8,716,746
Profits from financial investments at FVTPL	25	(147,113)	(387,909)
Provision for employees' benefits liabilities	18	8,074,190	10,450,269
		111,815,545	95,714,415
Changes in working capital:			
Used and unused visas and other non-current assets		(5,158,949)	(20,910,199)
Trade receivables		(48,890,533)	(12,121,087)
Prepayments and other current assets		(15,271,053)	(51,429,806)
Due from / to related parties		(27,951,828)	(18,779,660)
Recruitment agents guarantees		5,353	(563,122)
Trade payables and other current liabilities		39,421,246	4,302,148
Retained deposits		(737,631)	(952,951)
Employees' benefits liabilities paid	18	(6,002,322)	(6,634,250)
Interest paid		(1,035,503)	(1,069,639)
Zakat paid	20	(6,592,096)	(6,625,936)
Net cash generated from/(used in) operating activities		39,602,229	(19,070,087)
Cash flows from investing activities			
Payments for purchase of property and equipment	6	(3,204,523)	(791,245)
Proceeds from disposals of property and equipment		111,555	7,630
Payments for purchase of intangible assets	7	(242,350)	(1,187,295)
Payments for purchase of financial investments at FVTPL	13	(17,000,000)	(30,000,000)
Proceeds from sale of financial investments at FVTPL	13	43,507,522	45,097,903
Net cash flows generated from investing activities		23,172,204	13,126,993
Cash flows from financing activities			
Dividend paid to shareholders		(20,000,000)	(20,000,000)
Payment of lease liabilities without finance expenses	8	(14,020,627)	(11,315,488)
Net cash flows used in financing activities		(34,020,627)	(31,315,488)
Net change in cash and cash equivalents		28,753,806	(37,258,582)
Cash and cash equivalents at beginning of the year	14	26,627,152	63,885,734
Cash and cash equivalents at end of the year	14	55,380,958	26,627,152
Non-cash transactions:			
Write-off of debts and settlement of trade receivables and other current assets	10-11	3,032,943	4,624,388
Remeasurement of employees' benefits liabilities	18	4,054,209	2,042,899
Additions of right-of-use assets under lease liabilities	8	15,392,571	6,729,773
Disposals of right-of-use assets under lease liabilities		(54,230)	(741,120)
Transferred from contractual reserve to capital increase		(20,000,000)	-
Transferred from retained earnings to capital increase		(30,000,000)	-

The accompanying notes 1 to 32 form an integral part of these consolidated financial statements.

Al Mawarid Manpower Company
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements
For the year ended 31 December 2022

1. General information

Al Mawarid Manpower Company is a Saudi Closed Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010343697 issued in the city of Riyadh on 12 Sha'aban 1433H (corresponding to 2 July 2012).

The principal activities of the Company and its subsidiaries (the "Group") are to provide the activities of recruitment services for domestic workers and temporary employment agencies for domestic services and expatriate labor services, under a license Ministry of Labor No. (6 /UMM) dated 5 Muharram 1434H (corresponding to 19 November 2012), in addition to providing a Saudi Manpower service.

These consolidated financial statements were approved for issuance by the board of directors on 18 Ramadan 1444H (corresponding to 9 April 2023).

The headquarter of the Group is located in the city of Riyadh, Al-Rawda District, P.O. Box 120058-11679, Riyadh - Kingdom of Saudi Arabia.

The accompanying consolidated financial statements include the activities of subsidiaries and branches of the Group listed below, which operate under the following sub-commercial registrations:

Branch	CR No.	Date
Riyadh - domestic workers	1010369956	27 Jumada' I 1434H (corresponding 8 April 2013)
Riyadh - expatriate workers	1010369960	25 Jumada' I 1434H (corresponding 6 April 2013)
Al Khobar	2051060639	2 Sha'aban1436H (corresponding to 20 May 2015)
Buraidah	1131056623	21 Rabi' II 1437H (corresponding to 31 January 2016)
Al Jubail	2055024837	20 Jumada' I 1437H (corresponding to 29 February 2016)
Hail	3350044313	3 Dhul-Hijjah 1437H (corresponding to 4 September 2016)
Jeddah	4030292526	22 Rabi' I 1438H (corresponding to 21 December 2016)
Riyadh - Al Taawun	1010466766	29 Rabi' I 1438H (corresponding to 28 December 2016)
Al Madinah Al Monawarah	4650081885	3 Rabi' II 1438H (corresponding to 21 December 2017)
Riyadh - Al Rawda	1010638704	26 Shawwal 1441H (corresponding to 17 June 2020)
Uniza	1128184135	26 Shawwal 1441H (corresponding to 17 June 2020)
Abha	5850129737	22 Rabi' II 1442H (corresponding to 7 December 2020)
Tabouk	3550143539	28 Rajab 1443H (corresponding to 1 March 2022)
Al Ahsa	2031110814	13 Rabi' I 1444H (corresponding to 9 October 2022)

2. Basis of preparation

a) Basis of consolidation

The accompanying consolidated financial statements include the financial statements of the Company and its subsidiaries as follow:

Subsidiary's name	Legal Entity	% of ownership	
		2022	2021
Musanid Al Marafiq for Maintenance and Cleaning (formerly, Musanid Almawarid for Operation and Maintenance Company)(*)	(A single Member Limited Liability Company)	100%	100%
Sawaid Manpower Company (**)	(A single Member Limited Liability Company)	100%	100%

Al Mawarid Manpower Company
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements
For the year ended 31 December 2022

2. Basis of preparation (continued)

a) Basis of consolidation (continued)

(*) Musanid Al Marafiq for Maintenance and Cleaning

Musanid Al Marafiq for Maintenance and Cleaning (formerly Musanid Al Mawarid for Operation and Maintenance Company) (a single shareholder limited liability company) is a company registered in Riyadh in the Kingdom of Saudi Arabia under Commercial Registration No. 1010995997 dated 12 Jumada' II 1437H (corresponding to 21 March 2016).

The subsidiary is wholly owned by Al Mawarid Manpower Company (the "Parent Company") as at 31 December 2022 and 2021.

The principal activities of the subsidiary are the provision of workers for the client's business for limited periods in order to compensate or supplement the client's workforce, and general cleaning of buildings.

() Sawaid Manpower Company**

Sawaid Manpower Company (a single shareholder limited liability company) is a company registered in Riyadh in the Kingdom of Saudi Arabia under Commercial Registration No. 1010601489 dated 29 Safar 1441H (corresponding to 28 October 2019).

The subsidiary is wholly owned by Al Mawarid Manpower Company (the "Parent Company") as at 31 December 2022 and 2021.

The principal activities of the subsidiary are the activities of searching for employees for positions, whether by induction or testing, online recruitment agencies, and the provision of other human resources (including providing human resources on a long-term or permanent basis in general).

b) Statement of compliance

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

The principal accounting policies applied in the preparation of these consolidated financial statements have been consistently applied to all periods presented.

c) Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention, except for employees' benefits liabilities which are recognized using the projected unit credit method, as well as financial investments at fair value through profit or loss are measured at fair value, the accrual basis of accounting and the going concern concept.

d) Functional and presentation currency

These financial statements are presented in Saudi Riyals (SR) which is the Group's functional and presentation currency.

Al Mawarid Manpower Company
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements
For the year ended 31 December 2022

3. Going concern

The consolidated financial statements have been prepared on a going concern basis which the management consider to be appropriate for the following reasons:

Management has prepared cash flows forecast for a period of not less than 12 months from the date of these consolidated financial statements which indicates that, bearing in mind a reasonable expectation, the Group will have sufficient cash, through cash generation, to meet its liabilities as they fall due for that period. The Group's cash flow forecast implies that profitability and cash flow will continue to increase in line with previous years as a result of revenue from operations. The Group revenue includes revenue from contracts with customers, a significant proportion of which is generated from existing customers.

Taking the above into consideration, along with the Group's forecast profitability, cash flow from existing contracts, anticipated future growth and the Group's current cash balance, the management is confident that the Group will have sufficient funds to continue meeting its liabilities as they fall due for at least 12 months from the date of these consolidated financial statements, therefore, the consolidated financial statements have been prepared on a going concern basis.

4. Summary of significant accounting policies

4-1 Basis of consolidation

Business Combinations

The Group accounts for business combinations using the acquisition method when acquiring a set of activities and assets that meet the definition of a business and control is transferred to the Group.

When determining whether a specific set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired included at least an input and substantive process and whether the acquired set has the ability to produce an output.

The Group applies the "Concentration test" that allows for a simplified assessment of whether the acquired set of activities and assets is not a business. The test is satisfied if the fair values of total assets acquired are materially concentrated in a single identifiable asset or a set of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at the fair value of the identifiable net assets acquired. Any goodwill is tested for impairment loss annually.

Any gain from purchasing at a preferential rate is recognized in profit or loss immediately.

Transaction cost are expensed when incurred, unless they relate to the issuance of debt securities or financial securities.

The consideration transferred does not include amounts related to settlement of transactions arising from prior relationships. These amounts are usually recognized in profit and loss.

Al Mawarid Manpower Company
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements
For the year ended 31 December 2022

4. Summary of significant accounting policies (continued)

4.1 Basis of consolidation (continued)

Any contingent consideration is measured at fair value at the date of acquisition. If there is an obligation to pay a contingent consideration that meets the definition of financial instrument is classified as equity, then it is not remeasured, and the settlement is recognized in equity.

Otherwise, any other contingent consideration is measured at fair value at the reporting date and subsequent changes in fair value are recognized in profit or loss.

Subsidiaries

Subsidiaries are companies over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns resulted from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

The financial statements of the subsidiaries are prepared for the same reporting year as that of the Parent company, using accounting policies consistent with the Company's financial policies.

The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the effective date that control commences until the date that control ceases.

Non-controlling interest "NCI"

NCI are measured based on their share of the acquirer's identifiable net assets at the date of acquisition.

Changes in the Group's equity in a subsidiary that do not entail in loss of control are recognized as equity transactions.

Loss of control

Upon loss of control, the group derecognizes the assets and liabilities of the subsidiary, the non-controlling interests and the other components of equity relating to the subsidiary.

Any profit or loss arising from loss of control is recognized in the consolidated statement of profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date when control is lost.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

Unrealized profits arising from transactions with equity- accounted investees are eliminated to the extent of the Group's interest in the investee.

Unrealized losses are eliminated in the same way as unrealized profits, but only to the extent that there is no evidence of impairment.

Al Mawarid Manpower Company
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements
For the year ended 31 December 2022

4. Summary of significant accounting policies (continued)

4-2 Current and non-current assets and liabilities

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

An asset is current when:

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

The Group classifies all other assets as non-current.

A liability is current when:

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

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

4-3 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to settle a liability in an orderly transaction between market participants at the measurement date. Fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

In the principal market for the asset or liability, or

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

The principal or the most advantageous market must be accessible by the Group. 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 from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

The Group 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 disclosed as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 : Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Al Mawarid Manpower Company
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements
For the year ended 31 December 2022

4. Summary of significant accounting policies (continued)

4-3 Fair value measurement (continued)

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

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

At each reporting date, the Group analyzes the changes in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Group 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 Group 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.

4-4 Visas and recruitment costs

Purchased visas represent the amounts paid to the government authorities against issuing manpower visas and are recorded at cost as available visa. Cost comprises all the purchase cost paid to the government authorities for securing the manpower visas.

The validity of the use of these visas is two years, and if they are not used during that period, they are then reimbursed by the government authorities to the Group's accounts.

Upon the arrival of the recruited worker, the visa is transferred from the unused visas account to the used visas account.

The visa fees used are amortized in the consolidated statement of profit or loss using the straight-line method over the worker contract period estimated by two-year.

The balance that pertains to the next year is recorded under advance visas expenses under current assets, and what is more than the year is recorded under non-current assets.

Recruitment costs represent the amount paid to recruitment agencies in connection with services obtained. These costs are amortized at the time of visa activation in the consolidated statement of profit or loss over two years in line with the employment contract period.

The amount of unamortized balance of used visas and recruitment costs are written off directly in the consolidated statement of profit or loss in case of termination of the contract or occurrence of anything that prevents the continuation of the service.

4-5 Residency and work permit fees

Residency and work permit fees are amortized in the consolidated statement of profit or loss over one year in line with the validity of such permits.

Al Mawarid Manpower Company
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements
For the year ended 31 December 2022

4. Summary of significant accounting policies (continued)

4-6 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets acquired in a business combination are stated at their fair values. Intangible assets under development are stated at cost.

After initial recognition, intangible assets are carried at cost less any accumulated amortization and any impairment losses, if any. The useful lives of intangible assets are assessed and classified to be either finite or indefinite.

Intangible assets with finite useful lives are amortized over the economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortization period and the amortization method for intangible assets with finite useful lives are reviewed at least at the end of each reporting period.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

The amortization expense on intangible assets with finite useful lives is recognized in the profit or loss under expenses category in line with the function of intangible assets.

Intangible assets with finite useful lives, that include computer software, applications and websites are amortized using the straight-line basis over their estimated useful lives estimated by 4 years.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and carrying amount of the asset and are recognized in the profit or loss when the asset is disposed.

4-7 Property and equipment

Property and equipment is stated at historical cost, net of accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of assets.

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

The carrying amount of any component accounted for as a separate asset is derecognized when replaced. Other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred. Lands are not depreciated as they do not have a finite life.

Depreciation of property and equipment is calculated less its estimated residual value to allocate its cost using a straight-line basis over the estimated useful lives of the assets.

Al Mawarid Manpower Company
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements
For the year ended 31 December 2022

4. Summary of significant accounting policies (continued)

4-7 Property and equipment (continued)

Depreciation is charged to the consolidated statement of profit or loss over the following estimated useful lives:

	<u>Number of years</u>
Buildings	20 years
Leasehold improvements	4 years or lease term, whichever is shorter
Motor vehicles	4 years
Office equipment and supplies	4 years
Furniture & fixtures	8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each annual reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognized in the profit or loss.

4-8 Leases

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

The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.

the Group has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and

the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:

- the Group has the right to operate the asset; or
- the Group designed the asset in a way that predetermines how and for what purpose it will be used.

Right-of-use assets

The Group recognized a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

Right-of-use asset is subsequently depreciated using the straight-line method from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Al Mawarid Manpower Company
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements
For the year ended 31 December 2022

4. Summary of significant accounting policies (continued)

4-8 Leases (continued)

Lease liabilities

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined.

Lease payments included in the measurement of the lease liabilities comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liabilities are measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liabilities are remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use assets or is recorded in profit or loss if the carrying amount of the right-of-use assets has been reduced to zero.

The Group has presented separately the right-of-use assets and the lease liabilities in the Consolidated statement of financial position.

4-9 Trade receivables

Trade receivables are amounts due from customers for services provided in the ordinary course of business. If these receivables are expected to be collected within one year or less, they are classified as current assets, otherwise they are presented as non-current assets. Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method, less provision for impairment.

4-10 Cash and cash equivalents

Cash and cash equivalents include cash in hand and demand deposits with banks, as well as other short-term highly liquid investments with original maturities of three months or less that are ready for conversion into known amounts of cash and that are not significantly affected by the risk of change in value.

4-11 Impairment of non-financial assets

At each reporting date, the Group assesses whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the assets recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use.

The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

Al Mawarid Manpower Company
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements
For the year ended 31 December 2022

4. Summary of significant accounting policies (continued)

4.11 Impairment of non-financial assets (continued)

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 of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses of continuing operations are recognized in the consolidated statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased.

If such indication exists, the Group estimates the asset's or CGU's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of profit or loss.

4-12 Dividends

Dividends are recorded in the consolidated financial statements in the period in which they are approved by the shareholders of the Group.

4-13 Foreign currency transactions

Reporting currency and functional currency

Transactions denominated in foreign currencies are translated to Saudi Riyal at the exchange rates ruling at the date of the transaction.

As for the monetary assets and liabilities denominated in foreign currencies, they are translated into Saudi riyals according to the exchange rates prevailing at the date of the consolidated statement of financial position.

Profit or loss on the exchange rate differences are included in the consolidated statement of profit or loss for the year.

4-14 Employees' benefits liabilities

The Group has a defined employees' end-of-service benefits scheme in line with the Labor Law in the Kingdom of Saudi Arabia based on the employee's last salary and the number of years of service.

The end-of-service benefits plans are not funded. Consequently, the liability valuations under the plans are performed by an independent actuary based on the projected unit credit method.

Al Mawarid Manpower Company
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements
For the year ended 31 December 2022

4. Summary of significant accounting policies (continued)

4.14 Employees' benefits liabilities (continued)

Costs of such plans initially include the current value of benefits obtained equally for each year of service and the benefits resulting from this obligation related to past employee's service.

Current and past service costs related to post-employment benefits are recognized immediately in the consolidated statement of profit or loss while unwinding of the liability at discount rates used are recorded in consolidated statement of profit or loss.

Any changes in net obligation due to the actuarial valuation and changes in assumptions are considered as re-measurement in the statement of other comprehensive income.

The re-measurement of gains and losses arising from adjustments to years of experience and changes in actuarial assumptions are recognized in the period in which they occur directly in other comprehensive income.

They are transferred to retained earnings in the consolidated statement of changes in equity in the period in which they occur.

Changes in the present value of the defined benefit obligation resulting from amendments or curtailments in the scheme are recognized immediately in profit or loss as past service costs.

End-of-service payments are based primarily on employees' final salaries, allowances, and accumulated years of service, as defined in the Labor Law in the Kingdom of Saudi Arabia.

4-15 Retained deposits

Retained deposits less any amounts due in accordance with the terms of the contract are stated under current liabilities in the consolidated statement of financial position.

4-16 Trade payables

Trade payables are liabilities for payment of services obtained from suppliers in the ordinary course of business. Trade payables are classified as current liabilities if these payables are due within one year or less, otherwise they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

4-17 Recruitment agents guarantees

Recruitment agents' guarantees represent the amounts collected in advance from recruitment agents as cash security in order to comply with the terms and conditions of contracts signed with them. The net retained guarantees is recovered after deducting the amounts due from the supplier upon termination of the contract with the recruitment agent.

4-18 Contract liabilities

Contract liabilities represent amounts collected in advance from customers when signing contracts for the provision of manpower services. These amounts are recognized in revenue in the Group's consolidated statement of profit or loss when earned.

Al Mawarid Manpower Company
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements
For the year ended 31 December 2022

4. Summary of significant accounting policies (continued)

4-19 Provisions

Provisions are recognized when the Group has a legal obligation (current or constructive) as a result of past events, and it is probable that the matter will require incurring resources to settle the obligation and the value of this obligation can be estimated reliably.

If there are a number of similar liabilities, the likelihood that an outflow will be required to settle these liabilities is determined by considering the classification of liabilities.

A provision is recognized even if the probability of an outflow for one of the items included in the same classification is minimal.

If the effect of the time value of money is significant, provisions are discounted using the current pre-tax discount rate that reflects current market assessments of the time value of money and the risks associated with the liability.

4-20 Revenue recognition

The Group recognizes revenue by providing manpower services to the public and private sectors customers and individuals in line with the requirements of IFRS 15.

Revenue is measured on the consideration specified in the contract with a customer and excludes amounts collected on behalf of third parties. Contract revenues are recognized based on manpower services provided to the customers (the services represent the performance obligations of the contract) over the terms of these agreements.

Contract costs

Contract costs are recognized as an expense unless the Group has a reasonable expectation to recover these costs from its customers and in cases where these costs are recoverable from the customers. The Group amortize these costs, if any, on a systematic basis, consistent with the transfer to the customer of the services.

The Group recognizes contract costs if:

- The costs relate directly to a contract or to an anticipated contract that the Group can specifically identify.
- The costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- The incremental costs of obtaining a contract with a customer is expected to be recovered.
- Those costs would not have incurred if the contract had not been obtained or if an anticipated contract has not been identified by the Group.
- The costs that directly relates to a contract (or a specific anticipated contract) includes:
 - a) direct labor.
 - b) allocation costs that directly relate to the contract or to contract activities.
 - c) costs that are explicitly chargeable to the customer under the contract; and
 - d) other costs that are incurred only because the entity entered the contract.

Al Mawarid Manpower Company
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements
For the year ended 31 December 2022

4. Summary of significant accounting policies (continued)

4-20 Revenue recognition (continued)

Measuring progress towards satisfaction of performance obligation

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Corporate revenue	Corporate revenue relates to providing manpower services to corporate customers. Customers obtain control of services when such services are rendered and have been accepted. Invoices are generated and the performance obligation (rendering of services) is satisfied over time of the contractual arrangement.	Revenue is recognized over time as the services are provided.
Individual revenue	Manpower services provided to individual customers are covered under this stream. Customers obtain control of services when such services are rendered and have been accepted. Invoices are generated and the performance obligation (rendering of services) is satisfied over time of the contractual arrangement.	Revenue is recognized over time as the services are provided.
Hourly revenue	Such revenue stream relates to providing manpower services for few hours in a particular day. Customers obtain control of services when such services are rendered and have been accepted. Invoices are generated and the performance obligation (rendering of services) is satisfied at that particular point of time.	Revenue is recognized at point of time as the services are provided.

Contract assets and liabilities

When either party to a contract has performed, an entity shall present the contract in the consolidated statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment. A contract asset is an entity's right to consideration in exchange for services that the entity has transferred to a customer. A contract liability is an entity's obligation to transfer services to a customer for which the entity has received consideration (or an amount of consideration is due) from the customer.

Presentation and disclosure requirements

The Group disaggregated revenue recognized from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

4-21 Other income

Other income is recognized when earned.

Al Mawarid Manpower Company
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements
For the year ended 31 December 2022

4. Summary of significant accounting policies (continued)

4-22 Zakat and taxation

The Group is subject to Zakat in accordance with the regulations of the Zakat, Tax and Customs Authority (ZATCA).

Zakat is calculated for each company within the Group separately on the basis of the higher of approximate Zakat base or adjusted income, and charged to profit or loss.

Any additional amounts, if any, are recognized when they are determined for payment.

The Group withholds taxes on certain transactions with non-resident parties in the KSA, if any as required under Saudi Arabian Income Tax Law.

4-23 Financial instruments

Classification and measurement of financial assets and financial liabilities

On initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not classified at FVTPL.

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

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

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

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This selection is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

Al Mawarid Manpower Company
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements
For the year ended 31 December 2022

4. Summary of significant accounting policies (continued)

4.23 Financial instruments (continued)

The following accounting policies apply to the subsequent measurement of financial assets:

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net profits and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investment at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

The Group has no debt investments at FVOCI or equity investments at FVOCI.

**Derecognition
Financial assets**

A financial asset (or part of a group of similar financial assets) is mainly derecognized (i.e. excluded from the Group's consolidated statement of financial position) in the following cases:

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

Financial liability

The Group derecognizes financial liabilities when its contractual obligations are discharged, cancelled, or expired. The Group also derecognize financial liabilities when the terms and cash flows of the modified obligation are substantially modified, in which case a new financial liability is recognized based on the modified terms at fair value.

On disposal of a financial liability, the difference between the amortized carrying amount and the amount paid (including any non-cash assets transferred or charged liabilities) is recognized in the consolidated statement of profit or loss.

Impairment of financial assets

The financial assets at amortized cost consist of trade receivables and cash and cash equivalents. Loss provisions are measured on the bases of Expected Credit Losses ("ECLs") over lifetime of a financial instrument: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Al Mawarid Manpower Company
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements
For the year ended 31 December 2022

4. Summary of significant accounting policies (continued)

4.23 Financial instruments (continued)

The Group measures loss allowances at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the group considers reasonable and supportable information that is relevant and available without undue cost or effort.

This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Expected credit loss ("ECL") assessment for accounts receivables

The Group applies IFRS 9 simplified approach for measuring ECL, which uses a lifetime expected loss allowance. This method is applied for assessing an allowance against:

- Financial assets measured at amortized cost; and
- Contract assets

The expected loss rates are based on the payment profiles of receivables before each reported period and corresponding historical credit losses experienced within this period. The historical 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 Group has identified Gross Domestic Product ("GDP") of KSA (the country in which it renders the services) to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The expected loss approach breaks the total loss amount modelling into following parts: probability of default ("PD"), loss given default ("LGD"), exposure at default ("EAD"). These are briefly described below:

- loss given default (LGD) - This is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD
- PD: the likelihood of a default over a particular time horizon
- EAD: This is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset carried at amortized cost is credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

Evidence that a financial asset is a credit impaired includes:

- Significant financial difficulties faced by the Group's customers;
- A breach of contract such as a default or past due event;
- Rescheduling of financing by the group on terms that are not favorable to the group;
- Imminent bankruptcy or other financial reorganization of the customer;
- The absence of an active market for that financial instrument due to financial difficulties.

Presentation of allowance for ECL in the consolidated statement of financial position

Impairment losses in financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Al Mawarid Manpower Company
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements
For the year ended 31 December 2022

4. Summary of significant accounting policies (continued)

4.23 Financial instruments (continued)

Write-off

Financial assets are written off (either partially or in full) when the group has no reasonable expectations of recovery. The group also performs an individual assessment of each customer in order to determine the value and timing of write-offs, based on whether there are reasonable expectations of recovery.

However, financial assets that are written off are still subject to enforcement activities in order to comply with the group's procedures for recovery of amounts due.

In the event that the amount to be written off exceeds the accumulated loss allowance, the difference is initially considered as an additions to the provision that is applied to the gross carrying amount.

Any subsequent recoveries are credited to other income.

Impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are impaired. A financial asset is impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

Loss provisions for financial assets are deducted from the gross carrying amount of the assets. Impairment losses related to trade receivables, if any, are presented in the consolidated statement of profit or loss under a separate item.

Financial liability

Financial liabilities are classified as measured at amortised cost or FVTPL. Financial liabilities are classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4-24 Contingent liabilities

They are liabilities that may arise from past events and 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 Group, or present obligation not recorded because it is not probable that an outflow of resources will be required to settle the obligation. In case the amount of the obligation cannot be measured with sufficient reliability, this amount is not recognized as contingent liabilities but disclosed in the consolidated financial statements.

Al Mawarid Manpower Company
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements
For the year ended 31 December 2022

4. Summary of significant accounting policies (continued)

4-25 New standards, interpretations and amendments

The following are a number of standards, amendments and interpretations of standards that were issued by the IASB as at 20 March 2022.

a) Currently effective new standards, interpretations and amendments:

Effective date	Amendments in standards
1 January 2022	Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37).
	Annual Improvements to IFRS Standards (2018–2020)
	Property, Plant and Equipment: proceeds before intended use (Amendments to IAS 16)
	Reference to the Conceptual Framework (Amendments to IFRS 3).

Management assessed the financial impact and there is no impact on the consolidated financial statements as at 31 December 2022.

b) Standards issued but not adopted

Standards and amendments issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below.

Effective for annual periods beginning on or after	New Standards and Amendments
1 January 2023	Classification of liabilities as current/non-current (Amendments to IAS 1).
	IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.
	Definition of accounting estimate (Amendments to IAS 8).
	Disclosure of Accounting Policies- Amendments to IAS 1 and IFRS Practice Statement 2.
	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).
Available for optional adoption/effective date deferred indefinitely	Sale or contribution of assets between the investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28).

Management will assess the financial impact of the new standards and amendments and management expects that they will have no impact on the group's financial statements

Al Mawarid Manpower Company
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements
For the year ended 31 December 2022

5. Significant accounting estimates and assumptions

The estimates used by the Group to present these amounts in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA reflect the circumstances at the date of transition to IFRS and as at the end of the earliest reporting period presented.

The preparation of the Group's Consolidated Financial Statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

The Group based its estimates on information available in preparation of consolidated financial statements. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. These changes are reflected in the assumptions when they occur.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

Defined benefit plans

The cost of end of service defined benefit and the present value of the related obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, withdrawal before normal retirement age and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature; a defined benefit obligation is highly sensitive to changes in these assumptions.

All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation.

The underlying bonds are further reviewed for quality.

Al Mawarid Manpower Company
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements
For the year ended 31 December 2022

5. Critical accounting estimates and assumptions (continued)

Defined benefit plans (continued)

Those having excessive credit spreads are removed from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds.

The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes.

Future salary increases are based on expected future inflation rates for the respective countries.

Lease's discount rate

The management of the Group uses estimates in determining the incremental borrowing rate in computing the present value of minimum lease payments, as well as the expected lease term in the event of extension options.

Al Mawarid Manpower Company
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements
For the year ended 31 December 2022

(All amounts are expressed in Saudi Riyal unless otherwise stated)

6. Property and equipment

<u>Cost</u>	<u>Land</u>	<u>Buildings</u>	<u>Leasehold Improvements</u>	<u>Furniture, fixtures and office equipment</u>	<u>Motor vehicles</u>	<u>Total</u>
As at January 1, 2021	5,344,155	4,566,501	2,495,323	7,624,255	3,577,733	23,607,967
Additions during the year	-	-	85,905	705,340	-	791,245
Disposals during the year	-	-	-	(1,169,666)	(59,149)	(1,228,815)
As at 31 December 2021 and 1 January 2022	5,344,155	4,566,501	2,581,228	7,159,929	3,518,584	23,170,397
Additions during the year	-	170,076	1,039,877	1,994,570	-	3,204,523
Disposals during the year	-	-	(1,770,327)	(56,721)	(735,971)	(2,563,019)
As at 31 December 2022	5,344,155	4,736,577	1,850,778	9,097,778	2,782,613	23,811,901
<u>Accumulated depreciation</u>						
As at January 1, 2021	-	473,672	2,160,899	5,577,161	2,836,391	11,048,123
Charge for the year	-	226,264	146,461	835,670	497,980	1,706,375
Disposals during the year	-	-	-	(1,160,153)	(59,149)	(1,219,302)
As at 31 December 2021 and 1 January 2022	-	699,936	2,307,360	5,252,678	3,275,222	11,535,196
Charge for the year	-	229,742	221,513	954,383	86,839	1,492,477
Disposals during the year	-	-	(1,729,437)	(41,040)	(735,963)	(2,506,440)
As at 31 December 2022	-	929,678	799,436	6,166,021	2,626,098	10,521,233
<u>Net book value</u>						
As at 31 December 2022	5,344,155	3,806,899	1,051,342	2,931,757	156,515	13,290,668
As at 31 December 2021	5,344,155	3,866,565	273,868	1,907,251	243,362	11,635,201

Depreciation for the year has been allocated as follows:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Cost of revenue (Note 22)	821,638	1,031,806
General and administration expenses (Note 24)	628,093	638,704
Selling and marketing expenses (note 23)	42,746	35,865
	1,492,477	1,706,375

As at 31 December 2022, property and equipment include fully depreciated assets with an original cost of SR 5,815,627 (31 December 2021: SR 5,607,808) and they are still in use and the management does not expect to achieve substantial future economic benefits from these assets.

Al Mawarid Manpower Company
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements
For the year ended 31 December 2022

(All amounts are expressed in Saudi Riyal unless otherwise stated)

7. Intangible assets

Intangible assets represent computer software, applications and websites. The movements in balances during the year ended 31 December 2022 and 2021 are as follows:

	<u>Computer Software</u>	<u>Other intangible assets</u>	<u>Total</u>
Cost			
As at January 1, 2021	3,465,451	543,750	4,009,201
Additions during the year	949,495	237,800	1,187,295
As at 31 December 2021 and 1 January 2022	4,414,946	781,550	5,196,496
Additions during the year	162,550	79,800	242,350
As at 31 December 2022	4,577,496	861,350	5,438,846
Accumulated amortization:			
As at January 1, 2021	2,696,892	-	2,696,892
Amortization during the year	568,026	144,922	712,948
As at 31 December 2021 and 1 January 2022	3,264,918	144,922	3,409,840
Amortization during the year	443,277	211,692	654,969
As at 31 December 2022	3,708,195	356,614	4,064,809
Net book value:			
As at 31 December 2022	869,301	504,736	1,374,037
As at 31 December 2021	1,150,028	636,628	1,786,656

Amortization charge for the year is allocated as follows:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Cost of revenue (<i>Note 22</i>)	122,319	34,564
General and administration expenses (<i>Note 24</i>)	344,430	443,702
Selling and marketing expenses (<i>note 23</i>)	188,220	234,682
	654,969	712,948

8. Leases

a) Right-of-use assets

Right of use assets relates to leased Vehicles and building, and it is amortized on a straight-line basis over the lease term as shown below:

	<u>Lease terms</u>
Vehicles	4 years
Buildings	3 – 5 years

Al Mawarid Manpower Company
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements
For the year ended 31 December 2022

(All amounts are expressed in Saudi Riyal unless otherwise stated)

8. Leases (continued)

a) Right-of-use assets (continued)

Movement of right of use assets per class is shown below:

	<u>Vehicles</u>	<u>Buildings</u>	<u>Total</u>
Cost			
As at January 1, 2021	25,683,282	15,597,254	41,280,536
Additions during the year	2,709,592	4,020,181	6,729,773
Disposals during the year	<u>(1,942,404)</u>	<u>-</u>	<u>(1,942,404)</u>
As at 31 December 2021 and 1 January 2022	26,450,470	19,617,435	46,067,905
Additions during the year	5,662,788	9,729,783	15,392,571
Disposals during the year	<u>(255,989)</u>	<u>(1,526,220)</u>	<u>(1,782,209)</u>
As at 31 December 2022	<u>31,857,269</u>	<u>27,820,998</u>	<u>59,678,267</u>
Accumulated depreciation			
As at January 1, 2021	(9,937,767)	(5,892,359)	(15,830,126)
Depreciation charge for the year	(6,325,104)	(4,605,115)	(10,930,219)
Disposals during the year	<u>1,136,971</u>	<u>-</u>	<u>1,136,971</u>
As at 31 December 2021 and 1 January 2022	(15,125,900)	(10,497,474)	(25,623,374)
Depreciation charge for the year	(6,925,315)	(6,254,395)	(13,179,710)
Disposals during the year	<u>242,550</u>	<u>1,489,965</u>	<u>1,732,515</u>
As at 31 December 2022	<u>(21,808,665)</u>	<u>(15,261,904)</u>	<u>(37,070,569)</u>
Net book value			
As at 31 December 2022	<u>10,048,604</u>	<u>12,559,094</u>	<u>22,607,698</u>
As at 31 December 2021	<u>11,324,570</u>	<u>9,119,961</u>	<u>20,444,531</u>

Depreciation for the year has been allocated as follows:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Cost of revenue (<i>Note 22</i>)	13,123,783	10,906,679
General and administration expenses (<i>Note 24</i>)	55,927	23,540
	<u>13,179,710</u>	<u>10,930,219</u>

Al Mawarid Manpower Company
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements
For the year ended 31 December 2022

(All amounts are expressed in Saudi Riyal unless otherwise stated)

8. Leases (continued)

b) Lease liabilities

	31 December 2022	31 December 2021
As at 1 January	19,511,114	24,837,949
Additions during the year	15,392,571	6,729,773
Disposals during the year	(54,230)	(741,120)
Finance charges during the year	1,035,503	1,069,639
Payment made during the year	(15,056,130)	(12,385,127)
As at 31 December	20,828,828	19,511,114

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

	31 December 2022	31 December 2021
Lease liabilities - current portion	10,670,935	12,216,023
Lease liabilities – non-current portion	10,157,893	7,295,091

Lease liabilities have been discounted using a discount rate 5%

9. Used and unused visas and other non-current assets

The unused visas represent the value of the visas paid to ministry of labor and have not been used until the date of the statement of financial position.

The amounts of the visas are transferred to the used visas upon the arrival of the recruited manpower to the territory of the Kingdom of Saudi Arabia.

The movement of the visa balance during the year is as follows:

	31 December 2022	31 December 2021
As at 1 January	27,784,000	25,342,000
Purchased visas during the year	46,930,000	22,894,000
Expired visas refunded during the year	(8,746,000)	(2,996,000)
Transferred to used visas	(36,828,000)	(17,456,000)
Unused visas as at the end of the year (*)	29,140,000	27,784,000
Add: used visas balance - non-current portion (note 11)	4,819,050	6,731,000
Less: unused visas balance - current portion (note 11)	(11,564,000)	(10,206,000)
Used and unused visas as at the end of the year	22,395,050	24,309,000
Add: Recruitment fees – non-current portion	24,208,134	17,135,235
As at 31 December	46,603,184	41,444,235

(*) The unused visas were analyzed as follows:

<i>Unused visas - current portion</i>	11,564,000	10,206,000
<i>Unused visas - non-current portion</i>	17,576,000	17,578,000

Al Mawarid Manpower Company
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements
For the year ended 31 December 2022

(All amounts are expressed in Saudi Riyal unless otherwise stated)

10. Trade receivables

	31 December 2022	31 December 2021
Trade receivables	159,456,663	112,684,252
Less: Allowance for expected credit losses	(28,810,042)	(28,519,911)
	<u>130,646,621</u>	<u>84,164,341</u>

The Group applies the simplified approach in IFRS 9 to measure the expected credit loss which uses a lifetime expected loss allowance for all trade receivables.

Movement in impairment of accounts receivable balances during the year is as follows:

	31 December 2022	31 December 2021
As at 1 January	28,519,911	22,827,043
Provided during the Year	2,408,253	8,716,746
Trade receivables written-off during the year	(2,118,122)	(3,023,878)
As at 31 December	<u>28,810,042</u>	<u>28,519,911</u>

Trade receivables are written-off when there is no reasonable expectation of recovery. Indications that there are no reasonable expectations of collection include, among other things, the debtor's failure to agree on a payment plan with the Group and the failure to make contractual payments.

The balance of trade receivables as at 31 December 2022 includes an amount of SR 20 million secured by bank guarantees, promissory notes and term cheques (31 December 2021: SR 22 million).

11. Prepayments and other current assets

	31 December 2022	31 December 2021
Due from Zakat, Tax and customs Authority *	41,118,707	45,623,027
Residency and work permit fees	14,043,987	35,333,145
Recruitment fees – current portion	53,330,712	24,616,216
Unused visas - current portion (<i>Note 9</i>)	11,564,000	10,206,000
Advances to suppliers	9,562,258	3,409,313
Used visas - current portion **	11,498,802	5,320,614
Advances to employees	2,382,940	4,315,444
Prepaid other expenses	4,509,395	2,557,028
Other	3,621,306	5,895,088
	<u>151,632,107</u>	<u>137,275,875</u>
Less: impairment of other current assets ***	(1,118,294)	(1,110,899)
	<u>150,513,813</u>	<u>136,164,976</u>

Al Mawarid Manpower Company
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements
For the year ended 31 December 2022
(All amounts are expressed in Saudi Riyal unless otherwise stated)

11. Prepaid expenses and other current assets (Continued)

(*) Due from Zakat, Tax and customs Authority (“ZATCA”)

During the month of December 2020, the Zakat, Tax and Customs Authority (ZATCA) re-evaluated the VAT returns submitted by the company for the periods from May 2018 to December 2019 with a VAT difference of SR 21,955,089. The dispute mainly relates to recalculation of the ZATCA VAT on salaries and government fees for the workers outsourced their services to the Group's customers, in violation of the value-added tax regulations, the implementing regulations and the guideline for applying the VAT on employee benefits. The Group's management paid the total tax differences to benefit from the ZATCA's initiative to exempt from the fines that existed at that time, and submitted objections to all periods to the ZATCA with all evidence and support, and even correspondence with the ZATCA in particular, which supported the validity of the VAT returns submitted by the Group.

In March 2021, the Group received the ZATCA's decision to reject the objections submitted for the above-mentioned differences, so the Group's management took a decision to amend the VAT returns for the periods from January 2020 to February 2021 and pay the tax differences totaling SR 26,489,954, to take advantage of the initiative to exempt from fines in order to spare the Group any risks that may result when the dispute is finally resolved, noting that the Group paid fines for the months of December 2020 and January 2021, for being outside the scope of the ZATCA's initiative to exempt from fines, with a total amount of SR 325,918.

The Group filed a grievance against the ZATCA's decision with the General Secretariat of the Tax Committees (GSTC) and issued debit notes to its customers and related parties to VAT differences related to the workers seconded to them for all the periods referred to above for a total amount of SR 48,445,043 so that they can deduct the amounts that It belongs to them in their VAT returns, and the Group has also changed the method of calculating the VAT to include the salaries of seconded workers and any other items included in the invoices as of March 2021 until the dispute is finally settled and ZATCA is notified of that.

Certain clients have paid the VAT differences related to the labor they work for totaling SR 7,652,255, and others have requested to postpone the payment until the dispute is finally decided upon by the GSTC, relying on the validity of the invoices received from the Group for the mentioned periods and that they were correct in accordance with the VAT regulations, VAT implementing regulation and the VAT guides.

On October 28, 2021, the session set by the GSTC was attended by representatives of the Group and its tax advisor. After hearing the two parties to the dispute, the committee's decision at the end of the session was in the interest of the Group, as the ZATCA's decision to re-evaluate the returns submitted by the Group was cancelled.

On 12 January, 1 February and 6 February of 2022, the Group have been received formal decisions from GSTC for all cases filed before it (20 months). ZATCA appealed the GSTC's decisions.

During December 2022, a notification was received from GSTC stating that ZATCA had abandoned all existing cases related to the Group and stopped continuing the appeal submitted by it in GSTC's decision issued in October 2021.

During January 2023, ZATCA began to cancel the reassessment of tax returns that previously conducted for the periods referred to above. As at the date of issuance of consolidated financial statements, ZATCA has amended certain returns and refunded an amount of SR 45.01 million to the Group's accounts, and the rest of the returns are being amended and their amounts will be refunded to the Group's accounts amounting to SR 3,7 million. The group issued credit notes in favor of customers to meet the debit notes previously issued to them as indicated above.

Al Mawarid Manpower Company
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements
For the year ended 31 December 2022

(All amounts are expressed in Saudi Riyal unless otherwise stated)

11. Prepaid expenses and other current assets (Continued)

(*) Due from Zakat, Tax and customs Authority (“ZATCA”) (continued)

Based on the foregoing, the tax dispute that existed between the Group and ZATCA has been completely resolved in favor of the Group.

(**) Used visas - current portion

The movement of the visa balance during the year is as follows:

	31 December 2022	31 December 2021
As at 1 January	12,051,614	5,385,724
Used visas transferred during the year	37,520,639	17,900,512
Amortization during the year	(33,254,401)	(11,234,622)
As at 31 December	16,317,852	12,051,614
The used visas were analyzed as follows:		
Used visas - current portion	11,498,802	5,320,614
Used visas - non-current portion (Note 9)	4,819,050	6,731,000

(***) The movement in impairment of other current assets during the year is as follows:

	31 December 2022	31 December 2021
As at 1 January	1,110,899	2,711,409
Provided during the Year	922,216	-
Other current assets written-off during the year	(914,821)	(1,600,510)
As at 31 December	1,118,294	1,110,899

12. Transactions and balances with related parties

Related parties represent key management personnel, members of the board of directors, shareholders of the Group and their associates. Related parties also include business entities in which some members of the board of directors or key management personnel have an interest (other related parties).

Transactions with related parties and jointly controlled entities are carried out in accordance with the terms and conditions approved by the Group's management or the Board of Directors.

The following are the most significant transactions with related parties carried out by the Group:

a) Key management personnel compensation:

	31 December 2022	31 December 2021
Employees' salaries and other short-term benefits	8,377,632	7,353,892
Post-employment benefits	338,798	279,266
	8,716,430	7,633,158

Al Mawarid Manpower Company
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements
For the year ended 31 December 2022
(All amounts are expressed in Saudi Riyal unless otherwise stated)

12. Related party transactions and balance (continued)

b) Board of Directors' remuneration and allowances

	<u>31 December 2022</u>	<u>31 December 2021</u>
Board remunerations	1,340,000	1,300,000
Allowances and compensations for board committees	959,000	92,000
	<u>2,299,000</u>	<u>1,392,000</u>

c) Business transactions with related parties

The following table presents amounts of business transactions that carried out with related parties during the year ended 31 December 2022 and 2021 and the balances due from / to related parties at the end of year:

Name of the related party	Nature of relationship	Nature of transactions	Transactions amounts as at 31 December	
			<u>2022</u>	<u>2021</u>
Mawaridkum Group Trading Company	Shareholder	Revenue against rendering labor services	47,244,143	70,060,027
		Cost of labor paid on behalf of shareholder	1,698,060	8,017,665
Al-Ayuni Investment and Contracting Company	Shareholder	Revenue against rendering labor services	59662,923	21,467,712
		Cost of labor paid on behalf of shareholder	11,676,747	6,465,618
Khalda Group Trading Company	Shareholder	Revenue against rendering labor services	347,891	369,130
		Cost of labor paid on behalf of shareholder	156,112	10,530
		Project management fees to the shareholder	131,583	203,580
Other related parties	Entities under common control	Revenue against rendering labor services	12,024,053	7,864,036
		Cost of labor paid on behalf of shareholder	989,578	2,205,916

Transactions with related parties during the year 2022 also include the amounts of the IPO costs, which the group paid on behalf of the shareholders, amounting to SR 7,4 million.

Al Mawarid Manpower Company
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements
For the year ended 31 December 2022
(All amounts are expressed in Saudi Riyal unless otherwise stated)

12. Related party transactions and balance (continued)

d) Related party balances

The following table presents the balances due from/ to related parties as at 31 December 2022 and 2021:

	31 December 2022	31 December 2021
Due from related parties		
Mawaridkum Group Trading Company	38,985,848	31,599,562
Al-Ayuni Investment and Contracting Company	32,292,336	17,765,186
Khalda Group Trading Company	203,566	-
Other shareholders	4,099,343	1,270,853
Other related parties	4,073,016	1,754,687
	79,654,109	52,390,288
Due to related parties		
Khalda Group Trading Company	-	728,187
Other related parties	40,180	-
	40,180	728,187

13. Financial investments at fair value through profit or loss (FVTPL):

Investments in trading funds represent investment in Al Rajhi Commodity Trading Fund and investment in Al Rajhi Multi Asset Conservative Fund and investment in the sukuk of Al-Rajhi Bank. The movement in the investments in FVTPL during the year is as follows:

	31 December 2022	31 December 2021
Balance as at 1 January	30,387,909	45,097,903
Additions during the year	17,000,000	30,000,000
Disposals during the year	(43,507,522)	(45,097,903)
Fair value change	147,113	387,909
Balance as at 31 December	4,027,500	30,387,909

Financial investments at fair value through profit or loss are presented in the statement of financial position as follows:

Non-current portion	4,027,500	-
Current portion	-	30,387,909
	4,027,500	30,387,909

14. Cash and cash equivalents

	31 December 2022	31 December 2021
Cash at banks	55,299,660	26,612,348
Cash in hand	81,298	14,804
	55,380,958	26,627,152

Al Mawarid Manpower Company
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements
For the year ended 31 December 2022
(All amounts are expressed in Saudi Riyal unless otherwise stated)

15. Share capital

As at 31 December 2022, the Company's share capital consists of 15 million shares (31 December 2021: 10 million shares) with a nominal value of SR 10 each.

The Company's General Assembly, in its meeting held on 30 May 2022, approved to increase the capital of Al Mawarid Manpower Company from SR 100 million to SR 150 million, with an increase of SR 50 million. This increase has been funded through transfer of SR 20 million from the contractual reserve account and an amount SR 30 million from the retained earnings account.

16. Reserves

16.1 Statutory reserve

In accordance with the provisions of the Regulations for Companies in the Kingdom of Saudi Arabia and the Company's By-Laws, the Company is required to set aside 10% of the annual net income to the statutory reserve until this reserve equals 30% of the capital.

This reserve is not available for distribution to the shareholders of the Company currently.

16.2 Contractual reserve

The contractual reserve was established under to the approvals of the shareholders General Assembly's meetings held on 27 June 2021 and 28 July 2020, where an amount of SR 12,285,183 and SR 7,714,817 were set aside, respectively, from the realized profits during the years 2020 and 2019, as the balance of reserve at the end of 2021 amounts to SR 20,000,000. During 2022, the entire balance was used to increase the share capital of Al Mawarid Manpower Company (note 15).

17. Dividends

The General Assembly, in its meeting held on 30 May 2022, approved to pay cash dividends to the shareholders for the year ended 31 December 2021 in the amount of SR 20 million, representing SR 2 per share, and it has been paid in full (31 December 2021: SR 20 million as dividends for the year ended 31 December 2020).

18. Employees' benefits liabilities

The Group operates a defined benefit plan in line with the Labor Law requirement in the Kingdom of Saudi Arabia.

The amounts paid at the end of service under the plan are calculated on the basis of the employees' last salaries and allowances and the number of their accumulated years of service as on the date of the end of their services, as outlined in the labor law in force in the Kingdom of Saudi Arabia.

Employees' end-of-service benefit plans are unfunded. Benefits payment liabilities are met when due.

Al Mawarid Manpower Company
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements
For the year ended 31 December 2022

(All amounts are expressed in Saudi Riyal unless otherwise stated)

18. Employees benefits liabilities (continued)

The below table presents the movement of employees' benefits liabilities during the years 2022 and 2021:

	<u>31 December 2022</u>	<u>31 December 2021</u>
As at 1 January	27,584,798	21,725,880
Included in profit or loss		
Current service cost	7,460,156	10,207,820
Interest expense	614,034	242,449
Payments and settlements	(6,002,322)	(6,634,250)
Included in other comprehensive income		
Remeasurement (gains)/ losses on employees' benefits liabilities	(4,054,209)	2,042,899
As at 31 December	<u>25,602,457</u>	<u>27,584,798</u>

(a) The amounts recognized in the consolidated statement of profit or loss and other comprehensive income relating to employees' benefits liabilities are as follows:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Current service cost	7,460,156	10,207,820
Interest expense	614,034	242,449
Total amounts recognized in profit or loss	<u>8,074,190</u>	<u>10,450,269</u>
<u>Re-measurement</u>		
Remeasurement gains/ (losses) on employees' benefits liabilities	<u>4,054,209</u>	<u>(2,042,899)</u>

(b) Key actuarial assumptions

	<u>31 December 2022</u>	<u>31 December 2021</u>
Discount rate	4,1%	2,3%
Salary growth rate	3,4%	1,3%
Employees' turnover rate	Moderate	Moderate
Retirement age	60 years	60 years

(c) Sensitivity analysis for actuarial assumptions

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practical terms, this is not likely to happen, and changes in some assumptions may be linked to each other.

When calculating the sensitivity of the defined benefit obligations to significant actuarial assumptions, the same method (present value of the defined benefit obligations calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the end-of-service benefits.

Al Mawarid Manpower Company
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements
For the year ended 31 December 2022

(All amounts are expressed in Saudi Riyal unless otherwise stated)

18. Employees benefits liabilities (continued)

A quantitative sensitivity analysis for significant assumptions on the employees' benefits are shown below:

	<u>31 December 2022</u>	31 December 2021
Discount rate		
Increase by 1%	24,299,342	24,919,911
Decrease by 1%	27,073,675	28,056,416
Expected salary increase		
Increase by 1%	27,167,488	28,195,709
Decrease by 1%	24,193,119	24,768,449

19. Trade payables and other current liabilities

	<u>31 December 2022</u>	31 December 2021
Accrued vacations and air tickets	43,349,923	38,652,747
Accrued salaries and bonuses	43,309,023	23,523,185
Contract liabilities	26,956,130	18,706,212
Trade payables	10,975,265	10,579,820
Value Added Tax (VAT)	12,918,889	8,377,238
Commissions payable	1,390,719	1,405,518
Remunerations and allowances for members and committees of the Board of Directors	1,995,000	1,516,000
Accrued GOSI	1,816,691	1,269,608
Other	5,193,472	4,453,538
	<u>147,905,112</u>	<u>108,483,866</u>

Trade payables are unsecured and are normally paid within 30 days of recognition. The carrying value of trade payables and other current liabilities approximates their fair value, due to their short-term nature.

20. Zakat

(a) The Group's consolidated Zakat liabilities consist of Zakat that has been calculated on the basis of the separate financial statements of each individual Company.

(b) Provision for Zakat

The movement in Zakat provision is as follows:

	<u>31 December 2022</u>	31 December 2021
As at 1 January	6,787,961	6,624,919
Prior year differences	8,097	194,007
Amounts paid during the year	(6,592,096)	(6,625,936)
Charge for the year	8,259,384	6,594,971
As at 31 December	<u>8,463,346</u>	<u>6,787,961</u>

Al Mawarid Manpower Company
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements
For the year ended 31 December 2022
(All amounts are expressed in Saudi Riyal unless otherwise stated)

20. Zakat (continued)

(c) Status of final assessments

The Company and its subsidiaries filed Zakat returns to the Zakat, Tax and Customs Authority "ZATCA", and obtained a Zakat certificate until the end of the fiscal year ended 31 December 2021.

During 2021, Al Mawarid Manpower Company received the final assessments for the years 2015 to 2018 with Zakat differences totaling SR 2,069,020. An amount of SR 994,329 has been approved and paid by the Company, and it objected to the rest of the claim. ZATCA accepted certain items for a total amount of SR 502,467 and rejected the objection to other items for a total amount of SR 572,224, and accordingly the Group escalated the dispute to the General Secretariat of the Tax Committees "GSTC".

On 5 June 2022, the hearing session set by the GSTC was attended by representatives of the Company and its tax advisor. The decision was issued at the end of the hearing session approving some of the escalation items and rejecting others. The official decisions were received on 25 July 2022, and the appeal memorandum was submitted to the Appeal Committee on 21 August 2022. The management is awaiting the hearing session, and the management believes that this dispute will not have a material impact on the Group. As at the date of issuance these consolidated financial statements, the final assessment for the years ended 31 December 2019, 2020 and 2021 has not been received.

The necessary provisions have been calculated for the items mentioned in the aforementioned Zakat assessments and approved by the Company, for the years for which the Zakat assessment has not yet been made.

The subsidiary, Musanid Al Marafiq for Maintenance and Cleaning have received the final zakat assessment for the year 2018 with zakat differences of SR 72,780, and an amount of SR 2,182 was approved and paid, and the rest of the amount was objected to, but the objection was rejected by ZATCA. Therefore, The Company escalates the grievance against the ZATCA's decision to General Secretariat of Zakat, Tax and Customs Committees ("GSTC"). GSTC's decision was issued in support of ZATCA's assessment, based on the fact that the company did not submit the required documents, which is an incorrect reliance. An appeal was submitted to the decision, and the hearing session is awaited by GSTC. The Group's management believes that there will be no significant impact of this dispute on the Group. In 17 July 2022, the subsidiary has received the final zakat assessment for the year 2020 with a Zakat difference of SR 8,097, and the management approved and paid the amount. As of the date of issuance of these consolidated financial statements, the final assessment for the year ended 31 December 2021 has not been received.

The subsidiary, Sawaid Recruitment Company has not received any Zakat assessment from ZATCA, knowing that the first Zakat return submitted by the subsidiary is for the year 2020.

Al Mawarid Manpower Company
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements
For the year ended 31 December 2022

(All amounts are expressed in Saudi Riyal unless otherwise stated)

21. Revenue

In the following tables, revenues are disaggregated by type of sector, customer and duration of contracts:

Type of Sector

	31 December 2022	31 December 2021
Corporate	619,527,011	433,679,115
Individual	203,676,146	126,899,643
Hourly (Hemma)	121,526,219	103,144,391
	944,729,376	663,723,149

Type of customers

	31 December 2022	31 December 2021
Individual	325,202,365	230,044,034
Operation and Maintenance	96,700,817	101,590,416
Hospitality	107,882,072	97,901,621
Construction	232,113,242	74,522,804
Commercial and services	65,951,218	58,169,176
Health care	51,574,075	32,714,883
Transportation	26,172,692	30,863,653
Manufacturing	37,485,080	36,714,170
Other	1,647,815	1,202,392
	944,729,376	663,723,149

Duration of contracts

	31 December 2022	31 December 2021
More than 1 year	663,392,929	472,625,042
One year and less	281,336,447	191,098,107
	944,729,376	663,723,149

22. Cost of revenue

	31 December 2022	31 December 2021
Employees' salaries and benefits	599,132,947	437,984,022
Government and other overhead	181,231,522	101,032,065
Depreciation on right-of-use assets	13,123,783	10,906,679
Utilities	3,773,453	3,284,071
Bank charges	3,552,751	2,594,862
Catering expenses	3,532,169	1,764,225
Accommodation	1,604,317	1,420,985
Depreciation and amortization (Notes 6 & 7)	943,957	1,066,370
Finance cost on lease	1,031,301	1,068,179
Other operating expenses	9,165,195	5,742,265
	817,091,395	566,863,723

Al Mawarid Manpower Company
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements
For the year ended 31 December 2022

(All amounts are expressed in Saudi Riyal unless otherwise stated)

23. Selling and marketing expenses

	31 December 2022	31 December 2021
Employees' salaries and benefits	9,472,001	5,022,461
Advertisement	2,576,220	548,614
Selling and marketing expenses	304,238	838,054
Depreciation and amortization (<i>Notes 6 & 7</i>)	230,966	270,547
Utilities	58,676	42,914
Travelling and transportation expenses	41,214	16,695
Other	587,698	64,540
	<u>13,271,013</u>	<u>6,803,825</u>

24. General and administrative expenses

	31 December 2022	31 December 2021
Employees' salaries and benefits	18,959,805	15,259,743
Board committees' remuneration and allowances	2,449,000	1,576,000
Technical and other services	2,193,802	1,183,579
Professional and consultancy fees	1,231,193	1,905,501
Depreciation and amortization (<i>Notes 6 & 7</i>)	972,523	1,082,406
Utilities	830,200	561,090
Government and subscriptions fees	527,926	270,161
Software and licenses fees	452,712	227,612
Repair and maintenance	364,322	101,091
Bank charges	165,651	137,005
Stationery & printing	118,555	75,557
Depreciation on right of-use assets	55,927	23,540
Other	1,287,540	883,565
	<u>29,609,156</u>	<u>23,286,850</u>

25. Other income

	31 December 2022	31 December 2021
Provisions and entitlements no longer required	1,017,206	1,070,760
Revenues from labor accommodation canteens	666,902	490,363
Support from the Human Resources Development Fund	630,448	408,522
Gains from investments in mutual funds	147,113	387,909
Gains / (losses) on disposal of property and equipment	54,976	(1,884)
Other	310,864	31,471
Refundable government fees	-	2,010,785
	<u>2,827,509</u>	<u>4,397,926</u>

Al Mawarid Manpower Company
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements
For the year ended 31 December 2022
(All amounts are expressed in Saudi Riyal unless otherwise stated)

26. Basic and diluted earnings per share

Basic and diluted earnings per share are computed by dividing the net income for the year by the weighted average number of outstanding shares for the two years ended 31 December 2022 and 2021, as follows:

	31 December 2022	31 December 2021
Net income for the year	75,987,371	55,660,953
Weighted average number of shares (*)	15,000,000	15,000,000
Basic & diluted earnings per share from net income for the year	5.07	3.71

(*) Weighted average number of shares for the year ended 31 December 2021 has been modified to become 15,000,000 shares instead of 10,000,000 shares, as the increase in shares resulted from the distribution of bonus shares.

27. Segment information

The operating segment is a component of the Group that:

- Performs activities from which revenue can be realized and expenses may be incurred,
- The results of its operations are constantly analyzed by management in order to make decisions regarding resource allocation and performance evaluation, and
- For which financial information is available.

The group has the following three strategic divisions, which are its reported segments. These segments provide services to different kinds of customer segments and are managed through different strategies. The following summary describes the operations of each reportable segment:

- **Corporate sector:** This sector relates to providing an expatriate and Saudi manpower services to companies, whose contracts are for two years.
- **Individual sector:** This sector relates to providing domestic labor services to individuals` clients ranging from the duration of their contracts ranges from one month to two year.
- **Hourly sector:** This sector relates to the cleaning services provided to individuals` clients by hourly basis/visit, mostly each cleaning visit is four hours.

Major customer

As at 31 December 2022, Revenue from one customer of the corporate sector represented approximately 11.58% (31 December 2021: 9.72%) of the Group`s total revenues.

	31 December 2022			Total
	Corporate sector	Individual sector	Hourly Sector	
Revenue	619,527,011	203,676,146	121,526,219	944,729,376
Cost of revenue	(543,350,799)	(183,047,330)	(90,693,266)	(817,091,395)
Gross profit	76,176,212	20,628,816	30,832,953	127,637,981

Al Mawarid Manpower Company
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements
For the year ended 31 December 2022

(All amounts are expressed in Saudi Riyal unless otherwise stated)

27. Segment information (continued)

	31 December 2021			Total
	Corporate sector	Individual sector	Hourly Sector	
Revenue	433,679,115	126,899,643	103,144,391	663,723,149
Cost of revenue	<u>(387,748,833)</u>	<u>(104,992,808)</u>	<u>(74,122,082)</u>	<u>(566,863,723)</u>
Gross profit	<u>45,930,282</u>	<u>21,906,835</u>	<u>29,022,309</u>	<u>96,859,426</u>

Since the Group's activity depends on manpower services and has no direct connection to the Group's assets and liabilities. Therefore, it is not possible and impractical to disclose information pertaining to total assets and total liabilities pertaining to business segments.

	31 December 2022	31 December 2021
Unallocated income / (expenses)		
Gross profit	127,637,981	96,859,426
Selling and marketing expenses	(13,271,013)	(6,803,825)
General and administrative expenses	(29,609,156)	(23,286,850)
Impairment loss of trade receivables and other current assets	(3,330,469)	(8,716,746)
Other income	2,827,509	4,397,926
Profit from operations before Zakat	84,254,852	62,449,931
Zakat expense	(8,267,481)	(6,788,978)
Profit for the year after Zakat	75,987,371	55,660,953

28. Contingent liabilities and Commitments

The employees' entitlements, which represent the obligation of employees' benefits and leave and travel tickets allowances, which are borne by some customers on behalf of the Group in accordance with the terms of the contracts entered into with them upon the expiry of the workers' contracts amounted to SR 46,2 million as at 31 December 2022 (31 December 2021: SR 45,4 million).

A commercial bank, under the facility agreement signed with it, has issued a guarantee letter on behalf of the Group in favor of the Ministry of Human Resources and Social Development, which is a guarantee letter to issue the Company's license in the amount of SR 10 million.

29. Risk management

The Group has exposure to the following risks arising from financial instruments:

- Market risk
- credit risk;
- Liquidity risk

Risk management is carried out by senior management under policies approved by the Board of Directors. Senior management identifies and evaluates, when appropriate, financial risks in close co-operation with the Group's operating units.

Al Mawarid Manpower Company
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements
For the year ended 31 December 2022
(All amounts are expressed in Saudi Riyal unless otherwise stated)

29. Risk management (continued)

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

Market risk

Market risk is the risk that changes in market prices such as selling prices of products, profit 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 market risk exposures within acceptable parameters while optimizing the return.

Currency risk

Currency risk is the risk that a financial instrument will fluctuate due to changes in foreign exchange rates. The Group transactions are primarily denominated in Saudi Riyals. The management believes that the currency risk is immaterial, as the exchange rate of the USD is fixed against the SAR, therefore, the currency exchange risk is immaterial.

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 Group's financial position and cash flows. The Group manages interest rate risk by regularly monitoring the interest rate levels of its interest-bearing financial instruments. The Group is not exposed to significant interest sensitivity risk.

Credit risk

Credit risk is the risk that a party will not be able to meet its obligations to a financial instrument, causing financial losses to the other party. The Group does not believe that there are significant risks from balances due from related parties.

Financial assets that are subject to credit risk are limited to cash and cash equivalents, trade receivables and other current assets.

The cash and cash equivalents of the Group are deposited in public accounts with local banks with good credit ratings.

The Group only deals with high credit ratings financial institutions to limit the Group's exposure to credit risk.

The Group has put in place an approval process so that credit limits are applied to customers.

The management also continuously monitors exposure to credit risks towards customers and creates a provision against doubtful balances which is based on customer profile and previous payment dates. Existing customers' receivables are monitored on a regular basis.

As at 31 December 2022 and 2021, the exposure to credit risk for trade receivables was as follows:

	31 December 2022	31 December 2021
Trade receivables	159,456,663	112,684,252
Less: Allowance for expected credit losses	(28,810,042)	(28,519,911)
	130,646,621	84,164,341

Al Mawarid Manpower Company
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements
For the year ended 31 December 2022

(All amounts are expressed in Saudi Riyal unless otherwise stated)

29. Risk management (continued)

Credit risk (continued)

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2022 and 2021.

	Weighted- average loss rate	Total carrying value	Loss allowance
31 December 2022			
Current (not past due)	1.97%	101,241,870	1,994,465
1-30 days past due	3.45%	7,796,889	268,993
31-60 days past due	5.01%	3,351,839	167,927
61-90 days past due	6.82%	1,533,916	104,613
91-180 days past due	13.62%	5,390,437	734,178
181-360 days past due	30.62%	4,260,843	1,304,670
More than 360 days past due	61.76%	35,880,869	22,160,025
Specific loss allowance	-	-	2,075,171
		159,456,663	28,810,042
31 December 2021			
Current (not past due)	1.97%	52,956,978	1,045,660
1-30 days past due	3.45%	6,916,763	238,520
31-60 days past due	5.01%	3,104,623	155,512
61-90 days past due	6.82%	2,892,183	197,363
91-180 days past due	13.62%	3,490,226	475,408
181-360 days past due	30.62%	4,982,761	1,525,653
More than 360 days past due	61.76%	38,340,718	23,678,351
Specific loss allowance	-	-	1,203,444
		112,684,252	28,519,911

The total maximum exposure to credit risk in the Group as at the reporting date is as follows:

	31 December 2022	31 December 2021
Financial investments at FVTPL	4,027,500	30,387,909
Cash and cash equivalents	55,380,958	26,627,152
Due from related parties	79,654,109	52,390,288
Trade receivables	130,646,621	84,164,341
Prepayments and other current assets	146,004,418	133,607,948
	415,713,606	327,177,638

Commission rate risk

It is the exposure to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows.

The Group's commission rate risk arises principally from loans and investments at fair value through profit or loss which are at floating commission rates and are subject to re-pricing on a regular basis. The management monitors these changes in commission rates.

The Group periodically analyzes the commission rate risk, taking into account any rescheduling of loans. It also calculates the financial impact on profits and losses by increasing/decreasing the commission rate by a certain percentage. This analysis is performed on liabilities that bear commission.

Al Mawarid Manpower Company
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements
For the year ended 31 December 2022

(All amounts are expressed in Saudi Riyal unless otherwise stated)

29. Risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments.

Liquidity risk may result from the inability to sell a financial asset quickly and for an amount close to its fair value.

Liquidity risk is managed by monitoring it periodically to ensure the availability of sufficient funds through available banking facilities to meet any future liabilities.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its obligations as and when they fall due under normal and abnormal conditions without incurring unacceptable losses or risking damage to the Group's reputation.

For this purpose, the Group has maintained credit limits with various commercial banks in order to meet its liquidity requirements. As at 31 December 2022, the Group has an unused bank financing facility of SR 26 million (31 December 2021: SR 26 million) to manage short and long-term liquidity requirements.

The following are the contractual maturities of the remaining financial liabilities as at 31 December 2022 and 2021. These amounts are total and undiscounted and include contractual payments, excluding the effect of set-off agreements:

31 December 2022

	Carrying amount	Contractual cash flows			Total
		Less than 1 year	More than 1 year to 3 years	More than 3 years to 5 years	
Financial liabilities					
Retained deposits	7,014,634	7,014,634	-	-	7,014,634
Trade payables and other current liabilities	147,905,112	147,905,112	-	-	147,905,112
Due to related parties	40,180	40,180	-	-	40,180
Lease liabilities	20,828,828	10,670,935	10,157,893	-	20,828,828
Recruitment agents guarantees	1,178,329	-	1,178,329	-	1,178,329
	176,967,083	165,630,861	11,336,222	-	176,967,083

31 December 2021

	Carrying Amount	Contractual cash flows			Total
		Less than 1 year	More than 1 year to 3 years	More than 3 years to 5 years	
Financial liabilities					
Retained deposits	7,752,265	7,752,265	-	-	7,752,265
Trade payables and other current liabilities	108,483,866	108,483,866	-	-	108,483,866
Due to related parties	728,187	728,187	-	-	728,187
Lease liabilities	19,511,114	12,216,023	7,295,091	-	19,511,114
Recruitment agents guarantees	1,172,976	-	1,172,976	-	1,172,976
	137,648,408	129,180,341	8,468,067	-	137,648,408

Al Mawarid Manpower Company
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements
For the year ended 31 December 2022
(All amounts are expressed in Saudi Riyal unless otherwise stated)

29. Risk management (continued)

Fair value measurement of financial instruments

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a measurement date.

As the accompanying consolidated financial statements are prepared under the historical cost method, differences may arise between the book values and the fair value estimates.

The following table presents the Group's financial instruments measured at fair value as at 31 December 2022 and 2021:

<u>31 December 2022</u>	Level 1 SAR	Level 2 SAR	Level 3 SAR	Total SAR
Financial investments at FVTPL	4,027,500	-	-	4,027,500
<u>31 December 2021</u>				
Financial investments at FVTPL	30,387,909	-	-	30,387,909

Financial assets and liabilities not measured at fair value

Management believes that the fair values of the Group's financial assets and liabilities are not materially different from their carrying values.

Financial assets

	<u>31 December 2022</u>	<u>31 December 2021</u>
Financial assets at amortised cost:		
Trade receivables	159,456,663	112,684,252
Cash and cash equivalents	55,380,958	26,627,152
Total financial assets at amortized cost	<u>214,837,621</u>	<u>139,311,404</u>

Financial liabilities

	<u>31 December 2022</u>	<u>31 December 2021</u>
Financial liabilities at amortized cost:		
Retained deposits	7,014,634	7,752,265
Recruitment agents guarantees	1,178,329	1,172,976
Trade payables and other current liabilities	147,905,112	108,483,866
Lease liabilities	20,828,828	19,511,114
Total financial liabilities at amortized cost	<u>176,926,903</u>	<u>136,920,221</u>
Current portion of financial liabilities	165,590,681	128,452,154
Non-current portion of financial liabilities	11,336,222	8,468,067
Total Financial Liability	<u>176,926,903</u>	<u>136,920,221</u>

Al Mawarid Manpower Company
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements
For the year ended 31 December 2022
(All amounts are expressed in Saudi Riyal unless otherwise stated)

29. Risk management (continued)

Capital management risk

When managing capital, the Group aims to ensure the Group's ability to continue as a going concern in order to be able to continue providing returns to shareholders and maintain a strong core capital to support the sustainable development of its business.

The Group manages its capital structure by monitoring returns on net assets and makes adjustments to them in light of changes that arise from economic conditions.

For the purpose of maintaining or adjusting the capital structure, the Group may adjust the amount of dividends paid to shareholders or may issue new shares.

	31 December 2022	31 December 2021
Total liabilities	211,032,886	172,021,167
Less: cash and cash equivalents	(55,380,958)	(26,627,152)
Adjusted net debt	155,651,928	145,394,015
Total equity	293,065,702	233,024,122
Adjusted net debt ratio from equity	0,53	0,62

30. Significant events

- Offering Group's shares

The General Assembly, in its meeting held on 30 May 2022, agreed to offer 30% of the Group's shares in an initial public offering by submitting a request for registration and offering of securities with the Capital Market Authority and a request for listing with the Saudi Stock Exchange Company (Tadawul).

On 5 July 2022, the Group's prospectus was uploaded to CMA and Tadawul portals.

On 26 December 2022, the Board of the Capital Market Authority decided to approve the Group's request to register the Group's shares and offer 4,5 million shares for public subscription in the principal market, representing 30% of the total shares of the Group. The prospectus will be published in sufficient time before the subscription commencement date. It also indicated that its approval of the request is considered valid for a period of 6 months from the date of CMA's Board decision (i.e, up to 25 June 2023), and the approval is considered void if the offering and listing of the Group's shares are not completed within this period.

31. Subsequent events

-The new Companies Law issued by Royal Decree M/132 on 1/12/1443H (corresponding to 30 June 2022) (hereinafter referred to "The Law") entered into force on 26/6/1444H (corresponding to 19 January 2023). For certain provisions of the law, full compliance with them is expected no later than two years from 26/6/1444H (corresponding to 19 January 2023). The management is currently evaluating the impact of the new Companies Law and amending the Company's by-laws for any changes to align the Articles with the provisions of the law (if any). Thereafter, the Company shall present its by-laws to the shareholders in the extraordinary/annual general assembly meeting for their ratification.

Al Mawarid Manpower Company
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements
For the year ended 31 December 2022
(All amounts are expressed in Saudi Riyal unless otherwise stated)

31. Subsequent events

- The General Assembly, in its meeting held on 2 April 2023, approved to pay cash dividends to the shareholders as a first payment for the year ended 31 December 2022 in the amount of SR 15 million, representing SR 1 per share due to the shareholders registered with the group on the date of the assembly, and it was paid in full in April 2023.
- Other than the above, the Group's management believes that there have been no material subsequent events.

32. Approval of the consolidated financial statements

These consolidated financial statements were approved by the Board of Directors for issuance on 18 Ramadan 1444H (corresponding to 9 April 2023).