

AL MAWARID MANPOWER COMPANY
(A Saudi Closed Joint Stock Company)
Condensed Consolidated Interim Financial Statements (Unaudited)
For the three-month and six-month period ended 30 June 2021
Together with the
Independent auditor's review report

AL MAWARID MANPOWER COMPANY
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KPMG Professional Services

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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 on review of condensed consolidated interim financial statements

To the Shareholders of Al Mawarid Manpower Company

Introduction

We have reviewed the accompanying 30 June 2021 condensed consolidated interim financial statements of **AL Mawarid Manpower Company** ("the Company") and its subsidiaries (together referred to as "the Group") which comprises:

- The condensed consolidated statement of financial position as at 30 June 2021;
- The condensed consolidated statement of profit or loss and other comprehensive income for the three-month and six-month period ended 30 June 2021;
- The condensed consolidated statement of changes in equity for the six-month period ended 30 June 2021;
- The condensed consolidated statement of cash flows for the six-month period ended 30 June 2021; and
- The notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34 Interim Financial Reporting that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standards on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2021 condensed consolidated interim financial statements of **Al Mawarid Manpower Company** ("the Company") and its subsidiaries (together referred to as "the Group") are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

Emphasis of Matter

We draw attention to Note (2) to the condensed consolidated interim financial statements, which describes that these condensed consolidated interim financial statements have been prepared to obtain information and to be used by the Company's management. Our conclusion is not modified in respect of this matter.



Independent auditor's report on review of condensed consolidated interim financial statements (continued)

To the Shareholders of Al Mawarid Manpower Company

Other matter

We draw attention to the fact that we have not audited or reviewed the condensed consolidated interim financial statements of profit or loss, other comprehensive income, changes in equity and cash flows for the six-month period ended 30 June 2020, or any related notes, and accordingly, we do not express an opinion or conclusion on them.

KPMG Professional Services



Fahad Mubark Aldossari
License No. 469



Riyadh: On 15 Rabe` Alawwal 1444H
Corresponding to: 11 October 2022

AL MAWARID MANPOWER COMPANY
(A Saudi Closed Joint Stock Company)
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2021
(All amounts in Saudi Riyal unless otherwise stated)

| | <i>Note</i> | 30 June 2021 (Unaudited) | 31 December 2020 (Audited) |
|--|-------------|---|---|
| Assets | | | |
| Non-current assets | | | |
| Property and equipment | 12 | 12,020,105 | 12,559,844 |
| Intangible assets | | 1,324,097 | 1,312,309 |
| Right of use assets | | 19,463,458 | 25,450,410 |
| Used and unused visas and other non-current assets | 13 | 24,463,695 | 20,534,036 |
| Total non-current assets | | 57,271,355 | 59,856,599 |
| Current assets | | | |
| Trade receivables | 14 | 76,200,360 | 80,760,000 |
| Prepayments and other current assets | 15 | 111,056,969 | 84,735,170 |
| Due from related parties | 16 | 38,680,324 | 33,606,602 |
| Investments at fair value through profit or loss | 17 | 40,193,817 | 45,097,903 |
| Cash and cash equivalents | 18 | 66,733,028 | 63,885,734 |
| Total current assets | | 332,864,498 | 308,085,409 |
| Total assets | | 390,135,853 | 367,942,008 |
| EQUITY AND LIABILITIES | | | |
| EQUITY | | | |
| Share capital | 19 | 100,000,000 | 100,000,000 |
| Statutory reserve | | 22,136,746 | 22,136,746 |
| Contractual reserve | | 20,000,000 | 7,714,817 |
| Retained earnings | | 64,356,326 | 69,554,505 |
| Total equity | | 206,493,072 | 199,406,068 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Employees end of service benefits | 10 | 24,447,908 | 21,725,880 |
| Lease liabilities | | 10,715,302 | 13,907,506 |
| Recruitment agents` guarantees | | 1,271,020 | 1,736,098 |
| Total Non-current liabilities | | 36,434,230 | 37,369,484 |
| Current Liabilities | | | |
| Trade payables and other current liabilities | 20 | 125,990,582 | 104,181,718 |
| Retained deposits | | 8,685,075 | 8,705,216 |
| Lease liabilities | | 8,292,376 | 10,930,443 |
| Due to related parties | 16 | 746,341 | 724,160 |
| Provision for Zakat | 11 | 3,494,177 | 6,624,919 |
| Total current liabilities | | 147,208,551 | 131,166,456 |
| Total liabilities | | 183,642,781 | 168,535,940 |
| Total equity and liabilities | | 390,135,853 | 367,942,008 |

The accompanying notes from (1) through (24) form an integral part of these condensed consolidated interim financial statements

AL MAWARID MANPOWER COMPANY
(A Saudi Closed Joint Stock Company)
**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**
For the three-month and six-month period ended 30 June 2021
(All amounts in Saudi Riyal unless otherwise stated)

| | Notes | For three-month period ended 30 June | | For six-month period ended 30 June | |
|--|-------|---|---------------------------------------|---------------------------------------|---------------------------------------|
| | | 2021 (Unaudited) | 2020 (Not reviewed nor audited) | 2021 (Unaudited) | 2020 (Not reviewed nor audited) |
| Revenue | 7 | 164,850,459 | 153,784,133 | 324,980,141 | 350,473,546 |
| Cost of revenue | 8 | (141,167,826) | (136,603,580) | (276,211,488) | (311,961,752) |
| Gross Profit | | 23,682,633 | 17,180,553 | 48,768,653 | 38,511,794 |
| Selling and marketing expenses | | (1,541,098) | (1,255,528) | (3,159,685) | (3,509,873) |
| General and administrative expenses | | (5,649,946) | (3,981,807) | (10,918,338) | (8,893,268) |
| Impairment loss on trade receivables | 14 | (2,006,420) | (1,967,924) | (4,059,851) | (3,845,977) |
| Other income | | 740,121 | 318,394 | 1,015,154 | 516,438 |
| Profit from operations before Zakat | | 15,225,290 | 10,293,688 | 31,645,933 | 22,779,114 |
| Zakat expense | | (1,656,884) | (1,281,545) | (3,495,194) | (2,592,922) |
| Profit for the period after Zakat | | 13,568,406 | 9,012,143 | 28,150,739 | 20,186,192 |
| Other comprehensive income: Items that will not be reclassified subsequently to profit or Loss: | | | | | |
| Remeasurement (loss) gains on employees' benefits liabilities | | (501,137) | 813,763 | (1,063,735) | 1,627,526 |
| Total comprehensive income for the period | | 13,067,269 | 9,825,906 | 27,087,004 | 21,813,718 |
| Earnings per share: Basic & diluted earning per share | 9 | 1.36 | 0.90 | 2.82 | 2.02 |

The accompanying notes from (1) through (24) form an integral part of these condensed consolidated interim financial statements

AL MAWARID MANPOWER COMPANY
(A Saudi Closed Joint Stock Company)
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six-month period ended 30 June 2021
(All amounts in Saudi Riyal unless otherwise stated)

| | <u>Share Capital</u> | <u>Statutory Reserve</u> | <u>Contractual Reserve</u> | <u>Retained Earnings</u> | <u>Total</u> |
|---|---------------------------|------------------------------|--------------------------------|------------------------------|---------------------------|
| Balance at 01 January 2020 (audited) | 100,000,000 | 17,567,913 | - | 52,726,381 | 170,294,294 |
| Net profit for the period (not reviewed nor audited) | - | - | - | 20,186,192 | 20,186,192 |
| Other comprehensive income for the period (not reviewed nor audited) | - | - | - | 1,627,526 | 1,627,526 |
| Total comprehensive income for the period (not reviewed nor audited) | - | - | - | 21,813,718 | 21,813,718 |
| Balance at 30 June 2020 (unaudited) | <u>100,000,000</u> | <u>17,567,913</u> | <u>-</u> | <u>74,540,099</u> | <u>192,108,012</u> |
| Balance at 01 January 2021 (audited) | 100,000,000 | 22,136,746 | 7,714,817 | 69,554,505 | 199,406,068 |
| Net profit for the period (unaudited) | - | - | - | 28,150,739 | 28,150,739 |
| Other comprehensive (Loss) for the period (unaudited) | - | - | - | (1,063,735) | (1,063,735) |
| Total comprehensive income for the period (unaudited) | - | - | - | 27,087,004 | 27,087,004 |
| Transfer to contractual reserves | - | - | 12,285,183 | (12,285,183) | - |
| Dividends to shareholders | - | - | - | (20,000,000) | (20,000,000) |
| Balance at 30 June 2021 (unaudited) | <u>100,000,000</u> | <u>22,136,746</u> | <u>20,000,000</u> | <u>64,356,326</u> | <u>206,493,072</u> |

The accompanying notes from (1) through (24) form an integral part of these condensed consolidated interim financial statements

AL MAWARID MANPOWER COMPANY
(A Saudi Closed Joint Stock Company)
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six-month period ended 30 June 2021
(All amounts in Saudi Riyal unless otherwise stated)

| | <i>Note</i> | 30 June 2021 (Unaudited) | 30 June 2020 (Unaudited) |
|---|-------------|---|------------------------------------|
| Cash flows from operating activities | | | |
| Net income before Zakat | | 31,645,933 | 22,779,114 |
| Adjustments for non-cash items: | | | |
| Depreciation on property and equipment | | 880,796 | 900,468 |
| (Gain) on disposal of property and equipment | | - | (29,850) |
| Amortisation of intangibles assets | | 367,359 | 279,444 |
| Depreciation on right of use assets | | 5,223,083 | 5,055,892 |
| Finance costs - leases | | 560,077 | 757,167 |
| Loss (Gain) from disposal of right of use assets | | 75,858 | (1,900) |
| Impairment loss on trade receivables | 14 | 4,059,851 | 3,845,977 |
| (Gains) on investments at FVTPL | 17 | (193,816) | (163,064) |
| Provision for Employees end of service benefits | 10 | 4,925,856 | 5,498,105 |
| | | 47,544,997 | 38,921,353 |
| Changes in working capital: | | | |
| Used and unused visas and other non-current assets | | (3,929,659) | 6,459,029 |
| License guarantee letter | | - | 5,000,000 |
| Trade receivables | | 499,789 | 7,274,493 |
| Prepayments and other current assets | | (26,321,799) | 17,841,688 |
| Due from and to related parties | | (5,051,541) | (5,445,823) |
| Recruitment agents guarantees | | (465,078) | 150,090 |
| Trade payables and other current liabilities | | 1,808,864 | 1,781,068 |
| Retained deposits | | (20,141) | (1,452,726) |
| Employees end of service benefits paid | 10 | (3,267,563) | (2,146,609) |
| Interest paid | | (560,077) | (757,167) |
| Zakat paid | 11 | (6,625,936) | - |
| Net cash flows generated from operating activities | | 3,611,856 | 67,625,396 |
| Cash flows from investing activities | | | |
| Acquisition of property and equipment | | (341,057) | (420,059) |
| Proceed from sale of property and equipment | | - | 29,850 |
| Acquisition of intangible assets | | (379,147) | (111,999) |
| Acquisition of investments at FVTPL | 17 | (20,000,000) | - |
| Proceeds from sale of investments at FVTPL | 17 | 25,097,902 | - |
| Net cash flows generated from (used in) investing activities | | 4,377,698 | (502,208) |
| Cash flows from financing activities | | | |
| Dividends paid to shareholders | | - | - |
| Payment of lease liabilities | | (5,142,260) | (3,424,566) |
| Net cash flows (used in) financing activities | | (5,142,260) | (3,424,566) |
| Net change in cash and cash equivalents | | 2,847,294 | 63,698,622 |
| Cash and cash equivalents at the beginning of the period | | 63,885,734 | 26,951,427 |
| Cash and cash equivalents at the end of the period | | 66,733,028 | 90,650,049 |
| Non-cash transactions: | | | |
| Write-off of debts and customer's settlements | | 4,069,952 | 52,779 |
| Remeasurement of Employees end of service benefits | | (1,063,735) | 1,627,525 |
| Additions of right-of-use assets under lease liabilities | | - | 11,080,124 |
| Dividends | | 20,000,000 | - |

The accompanying notes from (1) through (24) form an integral part of these condensed consolidated interim financial statements

AL MAWARID MANPOWER COMPANY

(A Saudi Closed Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-month and six-month period ended 30 June 2021

(All amounts in Saudi Riyal unless otherwise stated)

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 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.

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

The accompanying condensed consolidated interim financial statements include the branches of the Group listed below which operate under the following sub-commercial registrations:

| Branch | CR No. | Date |
|-----------------------------|------------|---|
| Riyadh - domestic workers | 1010369956 | 7 Jumada' I 1434H (corresponding 8 April 2013) |
| Riyadh - expatriate workers | 1010369960 | 25 Jumada' I 1434H (corresponding 6 April 2013) |
| Khobar | 2051060639 | 2 Sha'ban 1436H (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) |
| Dammam | 2050111318 | 3 Rabi' II 1438H (corresponding to 21 December 2017) |
| 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) |
| Onayzah | 1128184335 | 26 Shawwal 1441H (corresponding to 17 June 2020) |
| Abha | 5850129737 | 22 Rabi' II 1442H (corresponding to 7 December 2020) |

The condensed consolidated interim financial statements for the six months ended 30 June 2021 include the financial position and results of the operations of the Company and its subsidiaries (all referred to as the "Group") as explained below:

| Subsidiary's name | Legal Entity | Share holding | |
|---|---|---------------|------|
| | | 2021 | 2020 |
| 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% |

According to the Company's by-laws, the financial year of the Company begins on 1st January and ends on 31st December of each Gregorian year. The financial year of the subsidiaries begins on 1st January and ends on 31st December of each Gregorian year.

These financial statements are the first set of condensed consolidated interim financial statements of the Group. Accordingly, the comparative figures are neither reviewed nor audited.

AL MAWARID MANPOWER COMPANY

(A Saudi Closed Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-month and six-month period ended 30 June 2021

(All amounts in Saudi Riyal unless otherwise stated)

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements for the six-month period ended 30 June 2021 have been prepared in accordance with the International Accounting Standard 34 “Interim Financial Reporting” as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

The condensed consolidated interim financial statements should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2020 (“last annual consolidated financial statements”). These condensed consolidated interim financial statements do not include all of information and disclosures required to prepare a full set of financial statements prepared under IFRS. However, selected accounting policies and explanatory notes are included to explain events and transactions that are significant to understand the changes in the Group’s financial position and performance since the latest annual financial statements.

The Company prepares the condensed consolidated interim financial statements only for the use of the management to know the business result for the quarterly periods. As a result, the condensed consolidated interim financial statements of the Company may not be suitable for any other purpose.

These condensed consolidated interim financial statements have been approved for issuance by the Board of Directors on 24 August 2022 (corresponding to: 26 Muharm 1444H).

a. Basis of measurement

These condensed consolidated interim financial statements have been prepared on historical cost basis except for employees’ benefits obligations that are measured at the present value of future obligations using the projected unit credit method and the financial investments that are measured at the fair value. Further, condensed consolidated interim financial statements have been prepared using the accrual basis of accounting and the going concern concept.

b. Functional and presentation currency

These condensed consolidated interim financial statements have been presented in Saudi Riyal (“SAR”), which is the Group’s functional and presentation currency.

3. USE OF JUDGMENT AND ESTIMATES

In preparing these condensed consolidated interim financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of revenues, costs, assets and liabilities. Actual results may differ from these estimates.

The significant estimates made by the management when applying the Group's accounting policies and the significant sources of uncertainties of the estimates were similar to those shown in the Group's last annual consolidated financial statements.

Fair value measurement

A number of the Group’s accounting policies require the measurement of fair values for financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

The valuation team regularly reviews significant unobservable input and adjustments to the evaluation. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified.

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

- Level 1: Quoted (unadjusted) market prices in active markets for assets or liabilities.
- Level 2: Inputs other than quoted prices included in Level 1, which are observable inputs for an asset or liability, either directly (such as prices) or indirectly (derived from prices).
- Level 3: Inputs for assets or liabilities not based on observable market data (unobservable inputs).

AL MAWARID MANPOWER COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the three-month and six-month period ended 30 June 2021
(All amounts in Saudi Riyal unless otherwise stated)

3. USE OF JUDGMENT AND ESTIMATES (CONTINUED)

Fair value measurement (continued)

If the inputs used to measure the fair value of the assets and liabilities fall within different levels in the fair value hierarchy, then the fair value is categorized as a whole using the lowest level of the fair value hierarchy inputs that are significant to the measurement as a whole.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used when preparing these condensed consolidated interim financial statements are in line with what is stated in the notes to the consolidated financial statements of the Group for the year ended 31 December 2020. With the exception of applying the amendments and interpretations in effect as of 1 January 2021.

The principal accounting policies have been consistently applied to all periods presented in these condensed consolidated interim financial statements.

5. NEW STANDARDS OR AMENDMENTS EFFECTIVE IN 2021 AND SUBSEQUENT YEARS

The following are a number of standards, amendments and interpretations of standards that were issued by the IASB on 31 August 2020.

a) New currently effective requirements:

| Effective date | New Standards and Amendments |
|----------------|--|
| 1 January 2020 | Amendments to References to Conceptual Framework in IFRS Standards. |
| | Definition of Material (Amendments to IAS1 and IAS8). |
| | Definition of a Business (Amendments to IFRS 3). |
| | (Interest Rate Benchmark Reform) Amendments to IFRS 9, IAS 39 and IFRS 7 |
| 1 June 2020 | COVID-19 Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) |

Management conducted a financial impact assessment and found that there was no impact on the condensed consolidated interim financial statements as at 30 June 2021.

b) New requirements that will be applied subsequently:

| Effective date | New Standards and Amendments |
|--|---|
| 1 January 2021 | (Interest Rate Benchmark Reform) - second phase Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 |
| 1 January 2022 | Onerous Contracts – Cost of Fulfilling a Contract (amendments to IAS 37). |
| | Annual improvements to IFRSs (2018 - 2020). |
| | Property, Plant and Equipment: Proceeds Before Intended Use (Amendments to IAS 16) |
| | Reference to conceptual framework (amendments to IFRS 3). |
| 1 January 2023 | Classification of liabilities as current/non-current (Amendments to IAS 1). |
| | IFRS 17 Insurance contract |
| 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 evaluate the financial impact of the new standards and amendments and it expects that the new standards and amendments will not have an impact on the group's financial statements.

AL MAWARID MANPOWER COMPANY

(A Saudi Closed Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-month and six-month period ended 30 June 2021

(All amounts in Saudi Riyal unless otherwise stated)

6. SEGMENTS 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 sectors:

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

| | For the three-month period ended 30 June 2021 (unaudited) | | | |
|-----------------|--|---------------------------|----------------------|---------------|
| | Corporate Sector | Individuals Sector | Hourly Sector | Total |
| Revenue | 107,045,965 | 31,332,662 | 26,471,832 | 164,850,459 |
| Cost of revenue | (97,313,240) | (26,131,141) | (17,723,445) | (141,167,826) |
| Gross profit | 9,732,725 | 5,201,521 | 8,748,387 | 23,682,633 |

| | For the three-month period ended 30 June 2020 (unaudited) | | | |
|-----------------|--|---------------------------|----------------------|---------------|
| | Corporate Sector | Individuals Sector | Hourly Sector | Total |
| Revenue | 111,396,522 | 40,555,029 | 1,832,582 | 153,784,133 |
| Cost of revenue | (94,328,685) | (31,899,840) | (10,375,055) | (136,603,580) |
| Gross profit | 17,067,837 | 8,655,189 | (8,542,473) | 17,180,553 |

| | For the six-month period ended 30 June 2021 (unaudited) | | | |
|-----------------|--|---------------------------|----------------------|---------------|
| | Corporate Sector | Individuals Sector | Hourly Sector | Total |
| Revenue | 209,235,413 | 63,792,458 | 51,952,270 | 324,980,141 |
| Cost of revenue | (187,863,503) | (52,828,880) | (35,519,105) | (276,211,488) |
| Gross profit | 21,371,910 | 10,963,578 | 16,433,165 | 48,768,653 |

| | For the six-month period ended 30 June 2020 (unaudited) | | | |
|-----------------|--|---------------------------|----------------------|---------------|
| | Corporate Sector | Individuals Sector | Hourly Sector | Total |
| Revenue | 249,140,565 | 79,681,294 | 21,651,687 | 350,473,546 |
| Cost of revenue | (216,984,010) | (65,643,931) | (29,333,811) | (311,961,752) |
| Gross profit | 32,156,555 | 14,037,363 | (7,682,124) | 38,511,794 |

AL MAWARID MANPOWER COMPANY

(A Saudi Closed Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-month and six-month period ended 30 June 2021

(All amounts in Saudi Riyal unless otherwise stated)

6. SEGMENTS INFORMATION (CONTINUED)

Since the Group's activities depend on manpower services and have 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 liabilities pertaining to business segments.

| | For three-month period ended 30 June | | For six-month period ended 30 June | |
|--|---|---------------------|---------------------------------------|---------------------|
| | 2021 (Unaudited) | 2020 (Unaudited) | 2021 (Unaudited) | 2020 (Unaudited) |
| Unallocated income / (expenses) | | | | |
| Gross profit | 23,682,633 | 17,180,553 | 48,768,653 | 38,511,794 |
| Selling and marketing expenses | (1,541,098) | (1,255,528) | (3,159,685) | (3,509,873) |
| General and administrative expenses | (5,649,946) | (3,981,807) | (10,918,338) | (8,893,268) |
| Impairment loss on trade receivables | (2,006,420) | (1,967,924) | (4,059,851) | (3,845,977) |
| Other income | 740,121 | 318,394 | 1,015,154 | 516,438 |
| Profit from operations before Zakat | | | | |
| Zakat | 15,225,290 | 10,293,688 | 31,645,933 | 22,779,114 |
| Zakat expense | (1,656,884) | (1,281,545) | (3,495,194) | (2,592,922) |
| Profit for the period after Zakat | 13,568,406 | 9,012,143 | 28,150,739 | 20,186,192 |

7. REVENUE

In the following tables, revenues are disaggregated by type of sector, customer and duration of contracts during the three and six months periods ended 30 June 2021 and 2020:

| <u>Type of Sector</u> | For the three month period ended 30 June | | For the six month period ended 30 June | |
|------------------------------|---|---------------------|---|---------------------|
| | 2021 (Unaudited) | 2020 (Unaudited) | 2021 (Unaudited) | 2020 (Unaudited) |
| Corporate | 107,045,965 | 111,396,522 | 209,235,413 | 249,140,565 |
| Individuals | 31,332,662 | 40,555,029 | 63,792,458 | 79,681,294 |
| Hourly "Hemma" | 26,471,832 | 1,832,582 | 51,952,270 | 21,651,687 |
| | 164,850,459 | 153,784,133 | 324,980,141 | 350,473,546 |
| <u>Type of customers</u> | For the three month period ended 30 June | | For the six month period ended 30 June | |
| | 2021 (Unaudited) | 2020 (Unaudited) | 2021 (Unaudited) | 2020 (Unaudited) |
| Retail | 57,804,494 | 42,387,611 | 115,744,728 | 101,332,981 |
| Operation & Maintenance | 25,565,389 | 28,508,876 | 50,279,643 | 62,763,593 |
| Hospitality | 23,916,742 | 17,972,212 | 47,212,482 | 44,095,784 |
| Construction | 17,715,488 | 30,615,410 | 36,281,535 | 71,724,290 |
| Commercial and services | 14,827,438 | 12,984,635 | 28,561,146 | 27,886,017 |
| Healthcare | 7,392,441 | 5,209,386 | 12,739,386 | 10,741,382 |
| Transportation | 8,133,564 | 7,939,635 | 15,517,557 | 15,538,998 |
| Manufacturing | 9,306,104 | 8,113,531 | 18,303,495 | 16,208,194 |
| Other | 188,799 | 52,837 | 340,169 | 182,307 |
| | 164,850,459 | 153,784,133 | 324,980,141 | 350,473,546 |
| <u>Duration of contracts</u> | For the three month period ended 30 June | | For the six month period ended 30 June | |
| | 2021 (Unaudited) | 2020 (Unaudited) | 2021 (Unaudited) | 2020 (Unaudited) |
| More than 1 year | 116,924,448 | 120,516,950 | 229,822,487 | 275,567,362 |
| One year and less | 47,926,011 | 33,267,183 | 95,157,654 | 74,906,184 |
| | 164,850,459 | 153,784,133 | 324,980,141 | 350,473,546 |

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8. COST OF REVENUE

| | For the three month period ended 30 June | | For the six month period ended 30 June | |
|-------------------------------------|---|---------------------|---|---------------------|
| | 2021 (Unaudited) | 2020 (Unaudited) | 2021 (Unaudited) | 2020 (Unaudited) |
| Salaries and benefits | 108,847,105 | 103,437,572 | 215,562,858 | 239,502,961 |
| Government and other direct costs | 25,848,734 | 28,210,124 | 47,764,910 | 60,794,414 |
| Depreciation on right of use assets | 2,558,337 | 1,721,389 | 5,168,603 | 3,860,930 |
| Utilities | 860,683 | 823,265 | 1,681,257 | 1,590,053 |
| Bank charges | 584,115 | 44,414 | 1,335,736 | 467,877 |
| Catering expenses | 400,095 | 335,273 | 664,693 | 698,430 |
| Accommodation | 363,313 | 509,753 | 593,699 | 1,020,482 |
| Depreciation and amortization | 276,569 | 292,447 | 551,748 | 585,381 |
| Finance cost of leases | 259,887 | 376,280 | 559,200 | 755,725 |
| Operating expenses | 1,168,988 | 853,063 | 2,328,784 | 2,685,499 |
| | 141,167,826 | 136,603,580 | 276,211,488 | 311,961,752 |

9. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share are computed by dividing the net profit for the period by the weighted average number of outstanding shares for the period ended 30 June 2021 and 2020, as follows:

| | For the three-month period ended 30 June | | For the six-month period ended 30 June | |
|---|---|------------|---|------------|
| | 2021 | 2020 | 2021 | 2020 |
| Net profit for the period | 13,568,406 | 9,012,143 | 28,150,739 | 20,186,192 |
| Weighted average number of shares | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 |
| Basic & diluted earnings per share from net income of the period | 1,36 | 0,90 | 2,82 | 2,02 |

10. EMPLOYEES END OF SERVICES BENEFITS

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.

The below table outlines the movement of employees end of service benefits during the period/ year ended 30 June 2021 and 31 December 2020:

| | 30 June 2021 (Unaudited) | 31 December 2020 (Audited) |
|--|--------------------------------|----------------------------------|
| Balance at beginning of the period / year | 21,725,880 | 18,607,908 |
| Included in profit or loss | | |
| Current service cost | 4,925,856 | 11,247,705 |
| Interest expense | - | 524,231 |
| Payments and settlements | (3,267,563) | (5,398,913) |
| Included in other comprehensive income | | |
| Remeasurement losses (gains) | 1,063,735 | (3,255,051) |
| Balance at end of period / year | 24,447,908 | 21,725,880 |

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11. PROVISION FOR ZAKAT

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

(b) Provision for Zakat

The movement in Zakat provision is as follows:

| | 30 June 2021 (Unaudited) | 31 December 2020 (Audited) |
|---|---|---|
| Balance at beginning of the period / year | 6,624,919 | 4,369,816 |
| Prior year differences | - | 29,984 |
| Amounts paid during the period / year | (6,625,936) | (4,398,713) |
| Zakat assessment differences | - | 996,511 |
| Provision for the period / year | 3,495,194 | 5,627,321 |
| Balance at end of period / year | 3,494,177 | 6,624,919 |

(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, the 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 an 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 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 session approving some of the escalation items and rejecting others. The formal decisions have been received on 25 July 2022 and the memorandum of appeal were submitted to the appeal committee on August 21, 2022 and the management waiting for the hearing. The Group's management believes that there will be no significant impact of this dispute on the Group. As of the date of issuance of these condensed consolidated interim 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 company, Musanid Al Marafiq for Maintenance and Cleaning (formerly Musanid Almarawid for Operation and Maintenance Company) has 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 escalated the grievance against the ZATCA's decision to 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 setting is awaited by GSTC. The Group's management believes that there will be no significant impact of this dispute on the Group. On 17 July 2022, the subsidiary has received the final zakat assessment for the year 2020 with zakat difference of SR 8,097 which was approved and paid by the management.

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

12. PROPERTY AND EQUIPMENT

As at 30 June 2021, the cost of property and equipment was SR 23,95 million (31 December 2020: SR 23,61 million), and the accumulated depreciation was SR 11,93 million (31 December 2020: SR 11,05 million).

As at 30 June 2021, the net book value of property and equipment was 12,02 million (31 December 2020: SR 12,56 million).

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13. 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 condensed consolidated interim 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 period/ year is as follows:

| | 30 June 2021 (Unaudited) | 31 December 2020 (Audited) |
|--|---|---|
| At beginning of the period / year | 25,342,000 | 19,706,000 |
| Purchased visas during the period / year | 8,682,000 | 12,486,000 |
| Expired visas refunded during the period / year | (1,598,000) | (986,000) |
| Transferred to used visas during the period / year | (6,476,000) | (5,864,000) |
| Unused visas as at the end of the period / year (*) | 25,950,000 | 25,342,000 |
| Add: used visas balance - non-current portion (Note 15) | 2,830,000 | 1,377,000 |
| Less: unused visas balance - current portion (Note 15) | (8,575,500) | (8,424,000) |
| Used and unused visas as at the end of the period / year | 20,204,500 | 18,295,000 |
| Add: Recruitment fees – non-current portion | 4,259,195 | 2,239,036 |
| | 24,463,695 | 20,534,036 |

(*) The unused visas were analyzed as follows:

| | | |
|------------------------------------|-------------------|------------|
| Unused visas - current portion | 9,493,750 | 8,424,000 |
| Unused visas - non-current portion | 16,456,250 | 16,918,000 |

14. TRADE RECEIVABLES

| | 30 June 2021 (Unaudited) | 31 December 2020 (Audited) |
|--|---|---|
| Trade receivables | 100,063,377 | 103,587,043 |
| Less: Allowance for expected credit losses | (23,863,017) | (22,827,043) |
| | 76,200,360 | 80,760,000 |

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 period / year is as follows:

| | 30 June 2021 (Unaudited) | 31 December 2020 (Audited) |
|--|---|---|
| Balance at beginning of the period / year | 22,827,043 | 14,991,144 |
| Provided during the period / year | 4,059,851 | 7,835,899 |
| Trade receivables written-off during the period / year | (3,023,877) | - |
| Balance at end of period / year | 23,863,017 | 22,827,043 |

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 30 June 2021 includes an amount of SR 22 million secured by bank guarantees, promissory notes and term cheques (31 December 2020: SR 20 million).

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15. PREPAYMENTS AND OTHER CURRENT ASSETS

| | 30 June 2021 (Unaudited) | 31 December 2020 (Audited) |
|--|---|----------------------------------|
| Due from Zakat, Tax and custom Authority * | 47,343,007 | 21,955,089 |
| Residency and work permit fees | 27,963,066 | 29,015,897 |
| Recruitment fees – current portion | 10,136,767 | 13,514,147 |
| Unused visas - current portion (Note 13) | 8,575,500 | 8,424,000 |
| Advances to suppliers | 3,814,457 | 5,057,609 |
| Used visas - current portion ** | 3,220,990 | 4,008,724 |
| Advances to employees | 1,175,562 | 1,236,591 |
| Prepaid other expenses | 3,214,541 | 1,735,908 |
| Other | 7,278,414 | 2,498,614 |
| | 112,722,304 | 87,446,579 |
| Less: impairment of other current assets *** | (1,665,335) | (2,711,409) |
| | 111,056,969 | 84,735,170 |

(*) Due from Zakat, Tax and custom Authority

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 VAT on salaries and government fees for the workers whose services are sourced to the Group's customers, in violation of the Law, the implementing regulations and the guideline for applying the VAT on employee benefits. The Company'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 mentioned periods to the ZATCA with all evidence and supporting documents on which the Company relied in the application, including the correspondence with the ZATCA in particular, which supported the validity of the VAT returns submitted by the company.

In March 2021, the Company received ZATCA's decision to reject the objections submitted for the above-mentioned tax differences, so the Company's management took a decision to amend the VAT returns for the periods from January 2020 to February 2021 and pay the tax differences that resulted in totaling SR 26,489,954, to take advantage of the initiative to exempt from fines in order to spare the company any risks that may result when the dispute is finally resolved, noting that the company 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 company 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 Company 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 workers seconded to them and working under their management totaling up to 31 March 2022 an amount of SR 5,302,305, while others have requested to postpone the payment until the dispute is finally settled by the GSTC, relying on the validity of the invoices received from the Company for the mentioned periods and that they were correct in accordance with the Law, VAT regulations and guidelines for implementing VAT.

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

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

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15. PREPAYMENTS AND OTHER CURRENT ASSETS (CONTINUED)

(*) Due from Zakat, Tax and custom Authority (continued)

On 13 February, and 1 March 2022, the Company received notifications from GSTC regarding ZATCA's appeal and gave the Company a period of 45 working days to submit a memorandum of response to the ZATCA's appeal. The Company has already submitted a memorandum of response in mid-April 2022.

The GSTC set a date for a hearing in the ZATCA's appeal to one of the appealed cases, on 16 January 2023. The management believes that this dispute will not have any negative impact on the Group.

(**) The movement of balance of visas during the period/ year is as follows:

| | 30 June 2021 (Unaudited) | 31 December 2020 (Audited) |
|---|---|----------------------------------|
| Balance at beginning of the period / year | 5,385,724 | 12,480,071 |
| Used visas transferred during the period / year | 6,619,585 | 5,916,418 |
| Amortization during the period / year | (5,954,319) | (13,010,765) |
| Balance at end of period / year | <u>6,050,990</u> | <u>5,385,724</u> |
| The used visas were analyzed as follows: | | |
| Used visas - current portion | <u>3,220,990</u> | <u>4,008,724</u> |
| Used visas - non-current portion (Note 13) | <u>2,830,000</u> | <u>1,377,000</u> |

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

| | 30 June 2021 (Unaudited) | 31 December 2020 (Audited) |
|---|---|----------------------------------|
| Balance at beginning of the period / year | 2,711,409 | 2,711,409 |
| Other current assets written off during the period / year | (1,046,074) | - |
| Balance at end of period / year | <u>1,665,335</u> | <u>2,711,409</u> |

16. 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 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 for the six-month periods ended 30 June 2021 and 2020:

a) Key management personnel compensation:

| | 30 June 2021 (Unaudited) | 30 June 2020 (Unaudited) |
|---|-------------------------------------|-----------------------------|
| Employees' salaries and other short-term benefits | 3,657,360 | 2,811,681 |
| Post-employment benefits | 113,917 | 115,943 |
| | <u>3,771,277</u> | <u>2,927,624</u> |

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16. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (CONTINUED)

b) Board of Directors' remuneration and allowances

| | 30 June 2021 (Unaudited) | 30 June 2020 (Unaudited) |
|--|---|------------------------------------|
| Board remunerations | 650,000 | 550,000 |
| Allowances and compensations for members of board committees | 46,000 | 27,500 |
| | 696,000 | 577,500 |

c) Business transactions with related parties

The following table presents amounts of business transactions that carried out with related parties during six months periods ended 30 June 2021 and 2020:

| Name of the related party | Nature of relationship | Nature of transactions | Amounts of transactions for the six months period ended 30 June | |
|---|-------------------------------|---|---|-----------------------------------|
| | | | 2021 (Unaudited) | 2020 (Unaudited) |
| Mawaridkum Group Trading Company | A shareholder | Revenue against rendering labor services | 32,872,060 | 43,181,276 |
| | | Cost of labor paid on behalf of shareholder | 4,707,767 | 3,190,625 |
| Al-Ayuni Investment and Contracting Company | A shareholder | Revenue against rendering labor services | 9,446,644 | 10,933,615 |
| | | Cost of labor paid on behalf of shareholder | 1,398,215 | 1,649,742 |
| Khalda Group Trading Company | A shareholder | Revenue against rendering labor services | 162,872 | 124,432 |
| | | Project management fees to the shareholder | 115,389 | 17,500 |
| Other related parties | Entities under common control | Revenue against rendering labor services | 3,103,769 | 3,743,671 |
| | | Cost of labor paid on behalf of shareholder | 532,369 | 881,558 |

d) Related party balances

The following table presents the balances due from / to related parties as at 30 June 2021 and 31 December 2020:

| | 30 June 2021 (Unaudited) | 31 December 2020 (Audited) |
|---|---|--------------------------------------|
| Due from related parties | | |
| Mawaridkum Group Trading Company | 23,683,252 | 21,047,766 |
| Al-Ayuni Investment and Contracting Company | 14,069,927 | 11,969,481 |
| Other related parties | 927,145 | 589,355 |
| | 38,680,324 | 33,606,602 |
| Due to related parties | | |
| Khalda Group Trading Company | 677,485 | 724,160 |
| Other related parties | 68,856 | - |
| | 746,341 | 724,160 |

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17. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The investments at FVTPL represent invested in units of a mutual fund, namely “Al Rajhi Commodity SAR Fund”, the value of which as at 30 June 2021 amounted to SR 40,193,817 (31 December 2020: SR 45,097,903). The average return on these investments during the period 2021 is 0,95% on average annually (2020: 1.20% on average annually).

The movement in the investments in FVTPL during the period / year is as follows:

| | 30 June 2021 (Unaudited) | 31 December 2020 (Audited) |
|--|---|----------------------------------|
| Balance at the beginning of the period/ year | 45,097,903 | 16,018,708 |
| Additions during the period/ year | 20,000,000 | 46,116,611 |
| Disposals during the period/ year | (25,097,902) | (17,354,299) |
| Gain from revaluation | 193,816 | 316,883 |
| Balance at the end of the period/ year | <u>40,193,817</u> | <u>45,097,903</u> |

18. CASH AND CASH EQUIVALENTS

| | 30 June 2021 (Unaudited) | 31 December 2020 (Audited) |
|---------------|---|----------------------------------|
| Cash at banks | 66,582,417 | 63,763,508 |
| Cash in hand | 150,611 | 122,226 |
| | <u>66,733,028</u> | <u>63,885,734</u> |

19. SHARE CAPITAL

As at 30 June 2021, the Company’s share capital consists of 10 million shares (31 December 2020: 10 million shares) with a nominal value of SR 10 each.

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20. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

| | 30 June 2021 (Unaudited) | 31 December 2020 (Audited) |
|---|--------------------------------|----------------------------------|
| Accrued vacations and air tickets | 38,596,726 | 36,276,924 |
| Accrued salaries and bonuses | 22,717,660 | 21,727,714 |
| Contract liabilities | 22,666,935 | 21,486,810 |
| Dividend payable | 20,000,000 | - |
| Trade payables | 4,086,819 | 8,798,026 |
| Financial consideration | 4,983,894 | 4,983,894 |
| Value Added Tax (VAT) | 6,013,602 | 4,071,571 |
| Commissions payable | 1,462,132 | 1,853,234 |
| Remunerations and allowances for members and committees of the Board of Directors | 720,000 | 1,362,000 |
| Accrued GOSI | 965,861 | 890,899 |
| Provision for financial claims | 35,708 | 478,708 |
| Other | 3,741,245 | 2,251,938 |
| | <u>125,990,582</u> | <u>104,181,718</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.

21. 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 45.06 million as at 30 June 2021 (31 December 2020: SR 44,5 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.

22. 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 the 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.

Financial assets and liabilities are offset and reported net in the condensed consolidated interim 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.

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22. RISK MANAGEMENT (CONTINUED)

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.

At 30 June 2021, the exposure to credit risk for trade receivables is as follows:

| | 30 June 2021 (Unaudited) | 31 December 2020 (Audited) |
|--|---|---|
| Trade receivables | 100,063,377 | 103,587,043 |
| Less: Allowance for expected credit losses | (23,863,017) | (22,827,043) |
| | <u>76,200,360</u> | <u>80,760,000</u> |

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 30 June 2021,

| | Weighted- average loss rate | Total carrying value | Loss allowance |
|-----------------------------|--|---------------------------------|---------------------------|
| Current (not past due) | 1.73% | 46,014,513 | 796,051 |
| Past due 1-30 days | 2.27% | 5,687,573 | 129,108 |
| Past due 31-60 days | 2.92% | 3,532,355 | 103,145 |
| Past due 61-90 days | 4.41% | 3,918,570 | 172,809 |
| Past due 91-180 days | 10.69% | 3,703,294 | 395,882 |
| Past due 181-360 days | 26.49% | 4,809,007 | 1,273,906 |
| More than 360 days past due | 63.81% | 32,398,065 | 20,673,205 |
| Specific loss allowance | -- | - | 318,911 |
| | | <u>100,063,377</u> | <u>23,863,017</u> |

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22. RISK MANAGEMENT (CONTINUED)

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

| | 30 June 2021 (Unaudited) | 31 December 2020 (Audited) |
|--------------------------------------|---|----------------------------------|
| Investments at FVTPL | 40,193,817 | 45,097,903 |
| Cash and cash equivalents | 66,733,028 | 63,885,734 |
| Due from related parties | 38,680,324 | 33,606,602 |
| Prepayments and other current assets | 107,842,428 | 82,999,262 |
| | <u>253,449,597</u> | <u>225,589,501</u> |

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.

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 30 June 2021, the Group has an unused bank financing facility of SR 26 million (31 December 2020: SR 26 million) to manage short and long-term liquidity requirements.

The following are the contractual maturities of the remaining financial liabilities as at 30 June 2021 and 31 December 2020. These amounts are total and undiscounted and include contractual payments, excluding the effect of set-off agreements:

30 June 2021 (Unaudited)

| | Carrying amount | Contractual cash flows | | | Total |
|---|----------------------------|-------------------------------|----------------------------------|----------------------------------|--------------------------|
| | | Less than 1 year | More than 1 to 3 year | More than 3 to 5 year | |
| Retained deposits | 8,685,075 | 8,685,075 | - | - | 8,685,075 |
| Trade payables and Contract liabilities | 26,753,754 | 26,753,754 | - | - | 26,753,754 |
| Due to related parties | 746,341 | 746,341 | - | - | 746,341 |
| Lease liabilities | 19,007,678 | 8,292,376 | 10,715,302 | - | 19,007,678 |
| | <u>55,192,848</u> | <u>44,477,546</u> | <u>10,715,302</u> | - | <u>55,192,848</u> |

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22. RISK MANAGEMENT (CONTINUED)

31 December 2020 (Audited)

| Financial Liabilities | Carrying amount | Contractual cash flows | | | Total |
|---|------------------------|-------------------------------|------------------------------|------------------------------|-------------------|
| | | Less than 1 year | More than 1 to 3 Year | More than 3 to 5 Year | |
| Retained deposits | 8,705,216 | 8,705,216 | - | - | 8,705,216 |
| Trade payables and Contract liabilities | 30,284,836 | 30,284,836 | - | - | 30,284,836 |
| Due to related parties | 724,160 | 724,160 | - | - | 724,160 |
| Lease liabilities | 24,837,949 | 10,930,443 | 13,907,506 | - | 24,837,949 |
| | <u>64,552,161</u> | <u>50,644,655</u> | <u>13,907,506</u> | <u>-</u> | <u>64,552,161</u> |

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 condensed consolidated interim financial statements have been prepared under the historical cost method, difference may arise between the book values and the fair value estimates.

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

a) Assets which are measured at fair value :

The following table presents the Group's financial instruments measured at fair value at 30 June 2021 and 31 December 2020:

| 30 June 2021 (Unaudited) | Level 1 | Level 2 | Level 3 | Total |
|-----------------------------------|-------------------|----------------|----------------|-------------------|
| Investments at FVTPL | <u>40,193,817</u> | - | - | <u>40,193,817</u> |
| 31 December 2020 (Audited) | | | | |
| Investments at FVTPL | <u>45,097,903</u> | - | - | <u>45,097,903</u> |

There was no transfer between the levels of fair value hierarchy during the period.

b) Assets and liabilities which are not measured at fair value :

The following are financial assets and financial liabilities that are not measured at fair value because their carrying amount reasonably approximates their fair value.

Financial assets

| | 30 June 2021 (Unaudited) | 31 December 2020 (Audited) |
|---|---------------------------------|-----------------------------------|
| Financial assets at amortised cost: | | |
| Trade receivables | <u>76,200,360</u> | 80,760,000 |
| Cash and cash equivalents | <u>66,733,028</u> | 63,885,734 |
| Total financial assets at amortized cost | <u>142,933,388</u> | <u>144,645,734</u> |

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22. RISK MANAGEMENT (CONTINUED)

Financial Liabilities

| | 30 June 2021 (Unaudited) | 31 December 2020 (Audited) |
|--|---|---|
| Financial liabilities at amortized cost: | | |
| Retained deposits | 8,685,075 | 8,705,216 |
| Trade payables and contract liabilities | 26,753,754 | 30,284,836 |
| Lease liabilities | 19,007,678 | 24,837,949 |
| Total financial liabilities at amortized cost | 54,446,507 | 63,828,001 |
| | | |
| Current portion of financial liabilities | 43,731,205 | 49,920,495 |
| Non-current portion of financial liabilities | 10,715,302 | 13,907,506 |
| Total Financial Liabilities | 54,446,507 | 63,828,001 |

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.

23. SIGNIFICANT EVENTS

- Company's share offering

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

On July 5, 2022, the prospectus file of the group have been uploaded on the portals of the Capital Market Authority and Tadawul, and the file is still being studied and reviewed by the two mentioned bodies.

- Dividends distribution

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.

24. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements have been approved for issuance by the Board of Directors on 24 August 2022 (corresponding to: 26 Muharm 1444H).