

ALMAWARID MANPOWER COMPANY
(A Saudi Closed Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021
together with the
INDEPENDENT AUDITOR'S REPORT

ALMAWARID MANPOWER COMPANY
(A Saudi Closed Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

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KPMG Professional Services

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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 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 2021, 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 2021, 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 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 professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Joint Stock Company)

Key Audit Matter (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.	
The key audit matter	How the matter was addressed in our audit
<p>During the year ended 31 December 2021, the Group recognised total revenue of SR 664 million (2020: SR 687 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 progress 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">• Evaluating the Group's revenue recognition policy;• Testing a sample of revenue transactions made during the year and inspecting underlying supporting documentation;• Testing a sample of sales 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 Joint Stock Company)

Key Audit Matter (continued)	
<p>Allowance for expected credit loss on trade receivables – See note (4-23) to the consolidated financial statements for the accounting policy relating to trade receivables and note (10) to the consolidated financial statements for the related disclosures.</p>	
The key audit matter	How the matter was addressed in our audit
<p>As at 31 December 2021, the Group recognised an allowance of expected credit loss on trade receivables of SR 8.7 million (2020: SR 7.8 million). The total allowance of expected credit loss on trade receivables of SR 28.5 million (2020: SR 22.8 million)</p> <p>The Group's allowance for expected credit loss on trade receivables are based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the credit loss 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 loss 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>Our audit procedures to assess allowance of expected credit loss on trade receivables 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 sales invoices and services delivery notes; • Obtaining an understanding of the key parameters and assumptions of the expected credit loss 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 management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data and evaluating whether the historical loss rates are 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 2021 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 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 and 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, are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

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

KPMG Professional Services

Kholoud Adnan Mousa Altumbakti

License No.: 421

Riyadh, 21 Shawwal 1443H

Corresponding to: 22 May 2022



ALMAWARID MANPOWER COMPANY
(A Saudi Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

(All amounts in Saudi Riyals unless otherwise stated)

	<i>Note</i>	As at 31 December	
ASSETS		<u>2021</u>	<u>2020</u>
Non-current assets			
Property and equipment	6	11,635,201	12,559,844
Intangible assets	7	1,786,656	1,312,309
Right-of-use assets	8	20,444,531	25,450,410
Used and unused visas and other non-current assets	9	41,444,235	20,534,036
Total non-current assets		<u>75,310,623</u>	<u>59,856,599</u>
Current assets			
Trade receivables	10	84,164,341	80,760,000
Prepayments and other current assets	11	136,164,976	84,735,170
Due from related parties	12	52,390,288	33,606,602
Investments at FVTPL	13	30,387,909	45,097,903
Cash and cash equivalents	14	26,627,152	63,885,734
Total current assets		<u>329,734,666</u>	<u>308,085,409</u>
Total assets		<u>405,045,289</u>	<u>367,942,008</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	15	100,000,000	100,000,000
Statutory reserve	16	27,694,675	22,136,746
Contractual reserve	16	20,000,000	7,714,817
Retained earnings		85,329,447	69,554,505
Total equity		<u>233,024,122</u>	<u>199,406,068</u>
Liabilities			
Non-current liabilities			
Employees end of service benefits	18	27,584,798	21,725,880
Lease liabilities	8	7,295,091	13,907,506
Recruitment agents' guarantees		1,172,976	1,736,098
Total non-current liabilities		<u>36,052,865</u>	<u>37,369,484</u>
Current liabilities			
Trade payables and other current liabilities	19	108,483,866	104,181,718
Retained deposits		7,752,265	8,705,216
Lease liabilities	8	12,216,023	10,930,443
Due to related parties	12	728,187	724,160
Provision for Zakat	20	6,787,961	6,624,919
Total current liabilities		<u>135,968,302</u>	<u>131,166,456</u>
Total liabilities		<u>172,021,167</u>	<u>168,535,940</u>
Total equity and liabilities		<u>405,045,289</u>	<u>367,942,008</u>

The accompanying notes (1) through (31) form an integral part of these consolidated financial statements.

ALMAWARID MANPOWER COMPANY
(A Saudi Closed Joint Stock Company)
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts in Saudi Riyals unless otherwise stated)

	<i>Note</i>	For the year ended 31 December	
		2021	2020
Revenue	21	663,723,149	686,656,308
Cost of revenue	22	(566,863,723)	(605,185,330)
Gross profit		96,859,426	81,470,978
Selling and marketing expenses	23	(6,803,825)	(7,080,571)
General and administrative expenses	24	(23,286,850)	(19,211,351)
Impairment loss on trade and other receivables	10	(8,716,746)	(7,835,899)
Other income	25	4,397,926	5,167,382
Profit from operations before Zakat		62,449,931	52,510,539
Zakat charge	20	(6,788,978)	(6,653,816)
Profit for the year after Zakat		55,660,953	45,856,723
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement (loss) gains on Employees end of service benefits	18	(2,042,899)	3,255,051
Total comprehensive income for the year		53,618,054	49,111,774
Earnings per share			
Basic & diluted earnings per share	26	5.57	4.59

The accompanying notes (1) through (31) form an integral part of these consolidated financial statements.

ALMAWARID MANPOWER COMPANY
(A Saudi Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

	<i>Note</i>	Share capital	Statutory reserve	Contractual reserve	Retained earnings	Total
Balance at 1 January 2020		100,000,000	17,567,913	--	52,726,381	170,294,294
Net profit for the year		--	--	--	45,856,723	45,856,723
Other comprehensive income for the year		--	--	--	3,255,051	3,255,051
Total comprehensive income for the year		--	--	--	49,111,774	49,111,774
Transfer to statutory reserve	16	--	4,568,833	--	(4,568,833)	--
Transferred to contractual reserve	16	--	--	7,714,817	(7,714,817)	--
Dividend paid to shareholders	17	--	--	--	(20,000,000)	(20,000,000)
Balance at 31 December 2020 and 1 January 2021		100,000,000	22,136,746	7,714,817	69,554,505	199,406,068
Net profit 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		100,000,000	27,694,675	20,000,000	85,329,447	233,024,122

The accompanying notes (1) through (31) form an integral part of these consolidated financial statements.

ALMAWARID MANPOWER COMPANY
(A Saudi Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2021
(All amounts in Saudi Riyals unless otherwise stated)

	<i>Notes</i>	For the year ended	
		<u>2021</u>	<u>2020</u>
Cash flows from operating activities			
Net profit before zakat		62,449,931	52,510,539
Adjustments for non-cash items:			
Depreciation on property and equipment	6	1,706,375	1,817,804
Losses /(Gains) from disposal of property and equipment		1,884	(29,850)
Amortization of intangible assets	7	712,948	563,654
Depreciation of right-of-use assets	8	10,930,219	10,389,224
Finance costs - leases	8	1,069,639	1,458,777
(Gains) / losses from disposal of Right of Use Assets		64,313	-
Impairment loss on trade and other receivables	10	8,716,746	7,835,899
Gains on investments at FVTPL		(387,909)	(316,883)
Provision for Employees end of service benefits	18	10,450,269	11,771,936
		<u>95,714,415</u>	<u>86,001,100</u>
Changes in working capital:			
Used and unused visas and other non-current assets		(20,910,199)	(2,515,920)
License guarantee letter		-	5,000,000
Trade receivables		(12,121,087)	17,637,512
Prepayments and other current assets		(51,429,806)	5,119,450
Due from and to related parties		(18,779,660)	6,861,597
Recruitment agents guarantees		(563,122)	264,795
Trade payables and other current liabilities		4,302,148	(8,641,278)
Retained deposits		(952,951)	(1,315,320)
Employees end of service benefits paid	18	(6,634,250)	(5,398,913)
Interest paid		(1,069,639)	(1,458,777)
Zakat paid	20	(6,625,936)	(4,398,713)
Net cash flow (used in) / from operating activities		<u>(19,070,087)</u>	<u>97,155,533</u>
Cash flows from investing activities			
Acquisition of property and equipment	6	(791,245)	(1,060,327)
Proceed from sale of property and equipment		7,630	29,850
Acquisition of intangible assets	7	(1,187,295)	(735,075)
Acquisition of investments at FVTPL		(30,000,000)	(46,116,611)
Proceeds from sale of investment at FVTPL		45,097,903	17,354,299
Net cash flows from (used in) investing activities		<u>13,126,993</u>	<u>(30,527,864)</u>
Cash flows from financing activities			
Dividend paid to shareholders		(20,000,000)	(20,000,000)
Payment of lease liabilities		(11,315,488)	(9,693,362)
Net cash flows (used in) financing activities		<u>(31,315,488)</u>	<u>(29,693,362)</u>
Net change in cash and cash equivalents		<u>(37,258,582)</u>	36,934,307
Cash and cash equivalents at the beginning of the year	14	<u>63,885,734</u>	<u>26,951,427</u>
Cash and cash equivalents at the end of the year	14	<u>26,627,152</u>	<u>63,885,734</u>
Non-cash transactions:			
Write-off of debts and settlements of clients	10&11	<u>4,624,388</u>	-
Re-measurements of Employees end of service benefits	18	<u>2,042,899</u>	<u>(3,255,051)</u>
Additions of right-of-use assets under lease liabilities	8	<u>6,729,773</u>	<u>12,694,202</u>

The accompanying notes (1) through (31) form an integral part of these consolidated financial statements.

ALMAWARID MANPOWER COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021
(All amounts in Saudi Riyals unless otherwise stated)

1. GENERAL INFORMATION

AL-Mawarid Manpower Company (formerly known as AL-Mawarid Recruitment Company), as the Company's name has been modified during the year 2020, 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 services.

The consolidated financial statements were approved for issuance by the board of directors on 18 Shawwal 1443H (corresponding to 19 May 2022).

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 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)
Al Khobar	2051060639	2 Sha'aban 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)
Uniza	1128184335	26 Shawwal 1441H (corresponding to 17 June 2020)
Abha	5850129737	22 Rabi' II 1442H (corresponding to 7 December 2020)

2. BASIS OF PREPARATION

a) Basis of consolidation

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

<u>Name of a subsidiary</u>	<u>Legal entity</u>	<u>Shareholding</u>	
		<u>2021</u>	<u>2020</u>
Musanid Almawarid for Operation and Maintenance Company (*)	A Single Shareholder Limited Liability Company	100%	100%
Sawaid Manpower Company (**)	A Single Shareholder Limited Liability Company	100%	100%

(*) Musanid Almawarid for Operation and Maintenance Company

Musanid Almawarid 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).

ALMAWARID MANPOWER COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021
(All amounts in Saudi Riyals unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

The subsidiary is wholly owned by AL-Mawarid Manpower Company (the “Parent Company”) as at 31 December 2021 and 2020.

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 2021 and 2020.

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, using 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.

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.

ALMAWARID MANPOWER COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021
(All amounts in Saudi Riyals unless otherwise stated)

3. GOING CONCERN (CONTINUED)

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.

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 arising from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the companies.

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.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 it is:

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

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.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 visa 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.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, representing computer software, 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 derecognized.

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 the items.

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.

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

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

At inception of a contract, the Group assesses 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 (“ROU”)

The Group recognizes 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.

The right-of-use asset is subsequently depreciated using the straight-line method from the 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.

Lease liability

The lease liability is 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 liability 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.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Lease liability (continued)

The lease liability is measured at amortized cost using the effective interest 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 liability is 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 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 asset's 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.

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.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 currencies transactions

Reporting currency and functional currency

Transactions denominated in foreign currencies are translated to Saudi Riyals 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 end of service benefits

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.

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 accordance with the terms of the contract are stated under current liabilities in the consolidated statement of financial position.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 incurred.

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 based on consideration specified in a 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.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.20 Revenue recognition (continued)

Contract costs (continued)

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.

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 they 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.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.20 Revenue recognition (continued)

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.

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.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.23 Financial instruments (continued)

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 election 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.

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 amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. 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 gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments 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.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.23 Financial instruments (continued)

Financial liabilities

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.

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. The 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:

- 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.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.23 Financial instruments (continued)

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost are 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 the financial assets 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.

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 liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is 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 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.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.25 NEW STANDARDS OR AMENDMENTS FOR 2021 ISSUED AND FORTHCOMING REQUIREMENT

The following are a number of standards, amendments and interpretations of standards that were issued by the IASB as at 31 August 2021.

New currently effective requirements:

Effective Date	New standards and amendments
1 January 2021	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest rate reform - second phase.
1 April 2021	COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)

Management assessed the financial impact and there is no impact on the consolidated financial statements as at 31 December 2021.

Forthcoming Requirement:

The below pronouncements are effective for subsequent annual periods and earlier application is permitted. The Group has not early adopted the new or amended standards in preparing these financial statements. The impact of these standards on the Group is not expected to be material when the below standards and amendments are applied.

The following are a number of standards, amendments and interpretations of standards that were issued by the IASB in 2021 .

New requirements that will be applied subsequently:

Effective for annual periods beginning on or after	New standards and amendments
1 January 2022	A number of narrow-scope amendments to IFRS 3, IFRS 16 and some annual improvements on IFRS 1, IFRS 9, IFRS 41 and IFRS 16
1 January 2022	Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37)).
	Annual Amendments to IFRSs (2018 - 2020 Cycle).
	Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
	Reference to the Conceptual Framework (Amendments to IFRS 3).
1 January 2023	Classification of liabilities as current/non-current-Amendments to IAS 1
	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).

The management estimated that the application of the new standards and amendments has no significant impact on the consolidated financial statements of the Group as at 31 December 2021.

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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 the asset or liability 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.

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 and are based on expected future inflation rates for the respective countries.

Impairment of accounts receivable

These are disclosed in Note (4) - Financial Instruments.

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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 1 January 2020	5,344,155	4,566,501	2,387,366	7,016,885	3,388,233	22,703,140
Additions during the year	-	-	107,957	607,370	345,000	1,060,327
Disposals during the year	-	-	-	-	(155,500)	(155,500)
As at 31 December 2020	<u>5,344,155</u>	<u>4,566,501</u>	<u>2,495,323</u>	<u>7,624,255</u>	<u>3,577,733</u>	<u>23,607,967</u>
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	<u>5,344,155</u>	<u>4,566,501</u>	<u>2,581,228</u>	<u>7,159,929</u>	<u>3,518,584</u>	<u>23,170,397</u>
<u>Accumulated depreciation</u>						
As at 1 January 2020	-	257,708	1,991,569	4,703,061	2,433,481	9,385,819
Charge for the year	-	215,964	169,330	874,100	558,410	1,817,804
Disposals during the year	-	-	-	-	(155,500)	(155,500)
As at 31 December 2020	<u>-</u>	<u>473,672</u>	<u>2,160,899</u>	<u>5,577,161</u>	<u>2,836,391</u>	<u>11,048,123</u>
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	<u>-</u>	<u>699,936</u>	<u>2,307,360</u>	<u>5,252,678</u>	<u>3,275,222</u>	<u>11,535,196</u>
<u>Net book value</u>						
As at 31 December 2021	<u>5,344,155</u>	<u>3,866,565</u>	<u>273,868</u>	<u>1,907,251</u>	<u>243,362</u>	<u>11,635,201</u>
As at 31 December 2020	<u>5,344,155</u>	<u>4,092,829</u>	<u>334,424</u>	<u>2,047,094</u>	<u>741,342</u>	<u>12,559,844</u>

Depreciation for the year has been allocated as follows:

	<u>2021</u>	<u>2020</u>
Cost of revenue (Note 22)	1,031,806	1,183,712
General and administration expenses (Note 24)	638,704	535,948
Selling and marketing expenses (Note 23)	35,865	98,144
	<u>1,706,375</u>	<u>1,817,804</u>

As at 31 December 2021, Property and Equipment include fully depreciated assets with an original cost of 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.

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7. INTANGIBLE ASSETS

Intangible assets represent computer software, application and website. Movement in the balances during 2021 and 2020 is as follows:

	<u>Computer Software</u>	<u>Other intangible assets</u>	<u>Total</u>
Cost			
At 1 January 2020	3,274,126	-	3,274,126
Additions during the year	191,325	543,750	735,075
At 31 December 2020	<u>3,465,451</u>	<u>543,750</u>	<u>4,009,201</u>
Additions during the year	949,495	237,800	1,187,295
At 31 December 2021	<u>4,414,946</u>	<u>781,550</u>	<u>5,196,496</u>
Accumulated amortization:			
At 1 January 2020	2,133,238	-	2,133,238
Amortization during the year	563,654	-	563,654
At 31 December 2020	<u>2,696,892</u>	<u>-</u>	<u>2,696,892</u>
Amortization during the year	568,026	144,922	712,948
At 31 December 2021	<u>3,264,918</u>	<u>144,922</u>	<u>3,409,840</u>
Net book value:			
At 31 December 2021	<u>1,150,028</u>	<u>636,628</u>	<u>1,786,656</u>
At 31 December 2020	<u>768,559</u>	<u>543,750</u>	<u>1,312,309</u>

Amortization for the year has been allocated as follows:

	<u>2021</u>	<u>2020</u>
Cost of revenue (Note 22)	34,564	-
General and administration expenses (Note 24)	443,702	563,654
Selling and marketing expenses (Note 23)	234,682	-
	<u>712,948</u>	<u>563,654</u>

8. LEASES

A. Right of use

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

	<u>Lease terms</u>
Vehicles	4 Years
Building	3-5 Years

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

	<u>Vehicles</u>	<u>Building</u>	<u>Total</u>
Cost			
As at 1 January 2020	18,347,137	10,478,060	28,825,197
Additions during the year	7,439,872	5,254,330	12,694,202
Disposals during the year	<u>(103,727)</u>	<u>(135,136)</u>	<u>(238,863)</u>
As at 31 December 2020 and at 1 January 2021	<u>25,683,282</u>	<u>15,597,254</u>	<u>41,280,536</u>
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	<u>26,450,470</u>	<u>19,617,435</u>	<u>46,067,905</u>

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8. LEASES (CONTINUED)

	<u>Vehicles</u>	<u>Building</u>	<u>Total</u>
Accumulated depreciation			
As at 1 January 2020	(3,453,036)	(1,987,866)	(5,440,902)
Depreciation for the year	(6,484,731)	(3,904,493)	(10,389,224)
As at 31 December 2020 and at 1 January 2021	(9,937,767)	(5,892,359)	(15,830,126)
Depreciation for the year	(6,325,104)	(4,605,115)	(10,930,219)
Disposals during the year	1,136,971	-	1,136,971
As at 31 December 2021	(15,125,900)	(10,497,474)	(25,623,374)
Net book value			
As at 31 December 2021	11,324,570	9,119,961	20,444,531
As at 31 December 2020	15,745,515	9,704,895	25,450,410

B. Lease liabilities

	31 December 2021	31 December 2020
As at 1 January	24,837,949	22,075,971
Additions during the year	6,729,773	12,694,202
Disposals during the year	(741,120)	(238,862)
Finance costs during the year	1,069,639	1,458,777
Payments during the year	(12,385,127)	(11,152,139)
As at 31 December	19,511,114	24,837,949

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

	31 December 2021	31 December 2020
Lease liabilities - current portion	12,216,023	10,930,443
Lease liabilities – non-current portion	7,295,091	13,907,506

Lease liabilities have been discounted using a discount rate 5%

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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 2021	31 December 2020
At the beginning of the year	25,342,000	19,706,000
Purchased visas during the year	22,894,000	12,486,000
Expired visas refunded during the year	(2,996,000)	(986,000)
Transferred to used visas	<u>(17,456,000)</u>	<u>(5,864,000)</u>
Unused visas as at the end of the year (*)	27,784,000	25,342,000
Add: used visas balance - non-current portion (Note 11)	6,731,000	1,377,000
Less: unused visas balance - current portion (Note 11)	<u>(10,206,000)</u>	<u>(8,424,000)</u>
Used and unused visas as at the end of the year	24,309,000	18,295,000
Add: Recruitment fees – non-current portion	<u>17,135,235</u>	<u>2,239,036</u>
	<u>41,444,235</u>	<u>20,534,036</u>

(*) The unused visas were analyzed as follows:

<i>Unused visas - current portion</i>	<u>10,206,000</u>	<u>8,424,000</u>
<i>Unused visas - non-current portion</i>	<u>17,578,000</u>	<u>16,918,000</u>

10. TRADE RECEIVABLES

	31 December 2021	31 December 2020
Trade receivables	112,684,252	103,587,043
Less: allowance for expected credit losses	<u>(28,519,911)</u>	<u>(22,827,043)</u>
	<u>84,164,341</u>	<u>80,760,000</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 2021	31 December 2020
Balance at 1 January	22,827,043	14,991,144
Provided during the year	8,716,746	7,835,899
Trade receivables written-off during the year	<u>(3,023,878)</u>	<u>-</u>
Balance at 31 December	<u>28,519,911</u>	<u>22,827,043</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 2021 includes an amount of SR 22 million secured by bank guarantees, promissory notes and term cheques (2020: SR 20 million).

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11. PREPAYMENTS AND OTHER CURRENT ASSETS

	31 December 2021	31 December 2020
Due from Zakat, Tax and custom Authority *	45,623,027	21,955,089
Residency and work permit fees	35,333,145	29,015,897
Recruitment fees – current portion	24,616,216	13,514,147
Unused visas - current portion (Note 9)	10,206,000	8,424,000
Advances to suppliers	3,409,313	5,057,609
Used visas - current portion **	5,320,614	4,008,724
Advances to employees	4,315,444	1,236,591
Prepaid other expenses	2,557,028	1,735,908
others	5,895,088	2,498,614
	137,275,875	87,446,579
Less: impairment of other current assets ***	(1,110,899)	(2,711,409)
	136,164,976	84,735,170

(*) 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 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 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 company.

In March 2021, the company received the ZATCA's decision to reject the objections submitted for the above-mentioned 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 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 settled.

Certain clients have paid the VAT differences related to the labor they work for totaling SR 3,147,934, 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 company 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 company 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 company, as the ZATCA's decision to re-evaluate the returns submitted by the company was cancelled.

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11. PREPAYMENTS AND OTHER CURRENT ASSETS (CONTINUED)

On 12 January, 1 February and 6 February of 2022, the company have been received a formal decision from GSTC for all cases (20 months).

ZATCA appealed the GSTC's decisions, and on February 13, and March 1, 2022, the company received notifications from GSTC 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 response memorandum in mid of April 2022

On the date of issuing these financial statements, the company is waiting for a hearing seating by the GSTC, and the management believes that this dispute will not have any negative impact on the company.

(**) The movement of balance of visas during the year was as follows:

	31 December 2021	31 December 2020
Balance at 1 January	5,385,724	12,480,071
Used visas transferred during the year	17,900,512	5,916,418
Amortization during the year	<u>(11,234,622)</u>	<u>(13,010,765)</u>
Balance at 31 December	<u>12,051,614</u>	<u>5,385,724</u>
The used visas were analyzed as follows:		
Used visas - current portion	<u>5,320,614</u>	<u>4,008,724</u>
Used visas - non-current portion (Note 9)	<u>6,731,000</u>	<u>1,377,000</u>

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

	31 December 2021	31 December 2020
Balance at 1 January	2,711,409	2,711,409
Receivables written off during the year	<u>(1,600,510)</u>	-
Balance at 31 December	<u>1,110,899</u>	<u>2,711,409</u>

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 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:

	2021	2020
Employees' salaries and other short-term benefits	7,353,892	5,729,690
Post-employment benefits	<u>279,266</u>	<u>225,219</u>
	<u>7,633,158</u>	<u>5,954,909</u>

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12. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (CONTINUED)

b) Board of Directors' remuneration and allowances

	<u>2021</u>	<u>2020</u>
Board remunerations	1,300,000	1,200,000
Allowances and compensations for board committees	92,000	55,000
	<u>1,392,000</u>	<u>1,255,000</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 2021 and 2020 and the balances due from / to related parties at the end of those years.

	<u>Nature of relationship</u>	<u>Nature of transactions</u>	<u>Amounts of transactions</u>	
			<u>2021</u>	<u>2020</u>
MawaridKum Group Trading company	A Shareholder	Revenue against rendering labor services	70,060,027	80,223,981
		Cost of labor paid on behalf of shareholder	8,017,665	8,302,764
Al-Ayuni Investment and Contracting Company	A Shareholder	Revenue against rendering labor services	21,467,712	20,728,360
		Cost of labor paid on behalf of shareholder	6,465,618	4,164,248
Khalda Group Trading Company	A Shareholder	Revenue against rendering labor services	369,130	249,756
		Cost of labor paid on behalf of shareholder	10,530	28,115
		Project management fees to the shareholder	203,580	447,750
Other related parties	Entities under common control	Revenue against rendering labor services	7,864,036	8,049,090
		Cost of labor paid on behalf of shareholder	2,205,916	2,992,690

d) Balances of related parties

The following table presents the balances due from / to related parties at 31 December 2021 and 2020.

	31 December	31 December
	<u>2021</u>	<u>2020</u>
Due from related parties		
Mawarid Kum Group Trading company	31,599,562	21,047,766
Al-Ayuni Investment and Contracting Company	17,765,186	11,969,481
Other related parties	3,025,540	589,355
	<u>52,390,288</u>	<u>33,606,602</u>
Due to related parties		
Khalda Group Trading Company	728,187	724,160
	<u>728,187</u>	<u>724,160</u>

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13. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS “FVTPL”

The investments at FVTPL represent investment in units of a mutual fund, namely “Al Rajhi Commodity SAR Fund”, the value of which as at 31 December 2021 amounted to SR 30,387,909 (2020: SR 45,097,903). The average return on these investments during the year 2021 is 0,95% on average annually (2020: 1.20% on average annually).

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

	31 December 2021	31 December 2020
Balance at 1 January	45,097,903	16,018,708
Additions during the year	30,000,000	46,116,611
Disposals during the year	(45,097,903)	(17,354,299)
Change in fair value	387,909	316,883
Balance at 31 December	<u>30,387,909</u>	<u>45,097,903</u>

14. CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020
Cash at banks	26,612,348	63,763,508
Cash in hand	14,804	122,226
	<u>26,627,152</u>	<u>63,885,734</u>

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15. SHARE CAPITAL

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

During the year 2021, the new shareholder, Mr. Abdulaziz Saleh Al-Suwaiyel, bought all the shares owned by the previous shareholder, Mohammed Hamad Al Muzaini Recruitment Office, with their rights and obligations.

The ownership structure of the Company's capital as at the end of 2021 and 2020:

Shareholder's name	31 December 2021			31 December 2020		
	Number of shares	Shareholding	value SR	Number of shares	Shareholding	value SR
Al Omaier Trading and Contracting Company	3,419,654	34.196%	34,196,540	3,419,654	34.196%	34,196,540
Al-Ayuni Investment and Contracting Company	3,419,654	34.196%	34,196,540	3,419,654	34.196%	34,196,540
Charry Trading Company	945,750	9.458%	9,457,500	945,750	9.458%	9,457,500
Khaldia Group Trading Company	721,500	7.215%	7,215,000	721,500	7.215%	7,215,000
Mawaridkum Group Trading Company	666,418	6.664%	6,664,180	666,418	6.664%	6,664,180
Al Saraya Investment Company	520,163	5.202%	5,201,630	520,163	5.202%	5,201,630
Riyadh bin Ibrahim Al-Romaizan	256,861	2.569%	2,568,610	256,861	2.569%	2,568,610
Global office for manpower recruitment	40,000	0.400%	400,000	40,000	0.400%	400,000
Abdulaziz Saleh Al Suwaiyel	10,000	0.100%	100,000	-	-	-
Mohammed Hamad Al Muzaini Recruitment Office	-	-	-	10,000	0.100%	100,000
	10,000,000	100%	100,000,000	10,000,000	100%	100,000,000

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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 shareholders of the Company, at the General Assembly meeting held on 27 June 2021, agreed to set aside SR 12,285,183 of the net income for the year 2020 to the contractual reserve (2020: SR 7,714,817 of the net income for the year 2019). This reserve created to support the company in unforeseen financial difficulties.

17. DIVIDENDS

At the General Assembly meeting held on 27 June 2021, the Company's shareholders approved the cash dividends distribution to shareholders for the year ended 31 December 2020 in the amount of SR 20 million at SR 2 per share, and it has been paid in full (2020: SR 20 million as a dividends distribution for the year ended 31 December 2019).

18. EMPLOYEES END OF SERVICE 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' benefits liabilities during 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Balance at 1 January	21,725,880	18,607,908
Included in profit or loss		
Current service cost	10,207,820	11,247,705
Interest expense	242,449	524,231
Payments and settlements	(6,634,250)	(5,398,913)
Included in OCI		
Remeasurement loss (Gain)	2,042,899	(3,255,051)
Balance at 31 December	<u>27,584,798</u>	<u>21,725,880</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>2021</u>	<u>2020</u>
Current service cost	10,207,820	11,247,705
Interest expense	242,449	524,231
Total amounts recognized in profit or loss	<u>10,450,269</u>	<u>11,771,936</u>
<u>Re-measurement</u>		
Remeasurement (loss) gains on employees' benefits liabilities	<u>2,042,899</u>	<u>(3,255,051)</u>

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18. EMPLOYEES END OF SERVICE BENEFITS (CONTINUED)

(b) Key actuarial assumptions

	<u>2021</u>	<u>2020</u>
Discount rate	2,3%	1,3%
Salary growth rate	1,3%	1,3%
Mortality rate	0,1%	0,1%
Employees turnover/resignations	33%	50%
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.

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

	31 December <u>2021</u>	31 December <u>2020</u>
Discount rate		
Increase by 1%	24,919,911	20,827,489
Decrease by 1%	28,056,416	22,461,703
Expected salary increase		
Increase by 1%	28,195,709	22,563,450
Decrease by 1%	24,768,449	20,717,064

19. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

	31 December <u>2021</u>	31 December <u>2020</u>
Accrued vacations and air tickets	38,652,747	36,276,924
Accrued salaries and bonuses	23,523,185	21,727,714
Contract liabilities	18,706,212	21,486,810
Trade payables	10,579,820	8,798,026
Financial consideration	256,396	4,983,894
Value Added Tax ("VAT")	8,377,238	4,071,571
Accrued commission	1,405,518	1,853,234
Remunerations and allowances for members and committees of the Board of Directors	1,516,000	1,362,000
Accrued social insurance	1,269,608	890,899
Provision for claims (*)	-	478,708
Others	4,197,142	2,251,938
	<u>108,483,866</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.

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19. TRADE PAYABLES AND OTHER CURRENT LIABILITIES (CONTINUED)

(*) The movement of provision claims during the year is as follows:

	31 December 2021	31 December 2020
Balance at 1 January	478,708	750,000
Claims paid during the year	(443,000)	-
Provisions no longer required	(35,708)	(271,292)
Balance at 31 December	-	478,708

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 on provision for Zakat is as follows:

	31 December 2021	31 December 2020
Balance at 1 January	6,624,919	4,369,816
Prior year differences	194,007	29,984
Paid during the year	(6,625,936)	(4,398,713)
Provision for the year	6,594,971	5,627,321
	6,787,961	5,628,408
Zakat assessment differences	-	996,511
Balance at 31 December	6,787,961	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 items amounting to SR 572,224, and accordingly the Group escalated to the General Secretariat of the Tax Committees "GSTC". Up to the date of issuance of these financial statements, the escalation submitted by the Group has not been resolved.

On 14 March 2022, the Company received a notification from GSTC stating that the hearing setting is scheduled for 5 June 2022, and the group's management believes that this dispute will not have a significant impact on the Company. As of the date of issuance of these consolidated financial statements, the final assessment for the years ended 31 December 2019 and 2020 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 that have not yet been assessed.

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20. ZAKAT (CONTINUED)

The subsidiary company, Musanid Almawarid for Operation and Maintenance company 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. The company escalates 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.

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

21. REVENUES

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

Type of Sector

	<u>2021</u>	<u>2020</u>
Corporate	433,679,115	476,273,552
Individuals	126,899,643	152,098,515
Hourly "Hemma"	103,144,391	58,284,241
	<u>663,723,149</u>	<u>686,656,308</u>

Type of Customer

	<u>2021</u>	<u>2020</u>
Individuals	230,044,034	210,382,756
Operation and Maintenance	96,592,577	119,806,567
Hospitality	93,391,065	88,759,229
Constructions	62,269,569	109,137,140
Commercial and services	60,132,011	55,453,025
Healthcare	32,374,020	21,684,615
Transportation	29,684,223	30,602,527
Manufacturing	24,005,831	21,368,015
Other	35,229,819	29,462,434
	<u>663,723,149</u>	<u>686,656,308</u>

Duration of contracts

	<u>2021</u>	<u>2020</u>
More than one year	472,625,042	520,747,678
One year and less	191,098,107	165,908,630
	<u>663,723,149</u>	<u>686,656,308</u>

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22. COST OF REVENUES

	<u>2021</u>	<u>2020</u>
Labors' salaries and benefits	437,984,022	463,493,470
Government and other direct costs	101,032,065	117,542,122
Depreciation of right of use assets	10,780,072	8,895,618
Utilities	3,284,071	3,227,985
Bank charge	2,594,862	1,344,048
Catering expenses	1,764,225	1,258,283
Accommodation	1,420,985	1,289,822
Depreciation and amortization (Notes 6 & 7)	1,066,370	1,183,712
Finance cost of leases	1,068,179	1,456,171
Operating expenses	5,868,872	5,494,099
	<u>566,863,723</u>	<u>605,185,330</u>

23. SELLING AND MARKETING EXPENSES

	<u>2021</u>	<u>2020</u>
Employees' salaries and benefits	5,022,461	4,351,382
Advertisement and publicity	548,614	1,488,069
Selling and marketing expenses	838,054	1,070,098
Depreciation and amortization (Notes 6 & 7)	270,547	98,144
Travel and transport	16,695	44,554
Utilities	42,914	14,482
Others	64,540	13,842
	<u>6,803,825</u>	<u>7,080,571</u>

24. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>2021</u>	<u>2020</u>
Employees' salaries and benefits	15,259,743	12,456,692
Remuneration and allowances for board committees	1,576,000	1,362,000
Depreciation and amortization (Notes 6 & 7)	1,082,406	1,099,602
Professional and consultancy fees	1,905,501	563,075
Technical and other services	1,183,579	1,143,196
Utilities	561,090	492,750
Government and subscriptions fees	270,161	219,518
Bank charges	137,005	385,338
Repair and maintenance	101,091	153,904
Stationery & printing	303,169	243,064
Others	907,105	1,092,212
	<u>23,286,850</u>	<u>19,211,351</u>

25. OTHER INCOME

	<u>2021</u>	<u>2020</u>
Refundable government fees	2,010,785	2,577,898
Provisions and entitlements no longer required	1,070,760	1,165,221
Revenues from labor accommodation canteens	490,363	482,639
Gains from investments in mutual funds	387,909	316,883
Support from the Human Resources Development Fund	408,522	301,322
(loss)/ Gain from disposal of property and equipment	(1,884)	29,850
Others	31,471	293,569
	<u>4,397,926</u>	<u>5,167,382</u>

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26. BASIC & 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 of 10 million shares for the two years ended 31 December 2021 and 2020, as follows:

	31 December	31 December
	<u>2021</u>	<u>2020</u>
Net income for the year	55,660,953	45,856,723
Weighted average number of shares	10,000,000	10,000,000
Basic & diluted earnings per share from net income for the year	<u>5,57</u>	<u>4,59</u>

27. SEGMENTS INFORMATION

The operating segment is a component of the Group that:

- Performs activities from which revenues 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
- Financial information is available.

The group has the following three strategic divisions, which are its reported segments. These divisions offer services to different kinds of customer sectors 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 a domestic labor services to individuals' clients ranging from the duration of their contracts ranges from month to two year.
- **Hourly sector:** This sector relates to the cleaning services provided to individuals' clients on hourly basis / visit, mostly each cleaning visit is four hours.

Major customer

Revenue from one customer of the group's corporate sector represented approximately 9.72% (2020: 11.82%) of the group's total revenues.

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

	2020			
	Corporate Sector	Individuals Sector	Hourly Sector	Total
Revenues	476,273,552	152,098,515	58,284,241	686,656,308
Cost of revenues	<u>(417,611,821)</u>	<u>(123,384,255)</u>	<u>(64,189,254)</u>	<u>(605,185,330)</u>
Gross Income (Loss)	<u>58,661,731</u>	<u>28,714,260</u>	<u>(5,905,013)</u>	<u>81,470,978</u>

Since the Group's activity 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 total liabilities pertaining to business segments.

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27. SEGMENTS INFORMATION (CONTINUED)

Unallocated income / (expenses)	31 December <u>2021</u>	31 December <u>2020</u>
Gross Income	96,859,426	81,470,978
Selling and marketing expenses	(6,803,825)	(7,080,571)
General and administrative expenses	(23,286,850)	(19,211,351)
Impairment loss on trade and other receivables	(8,716,746)	(7,835,899)
Other income	4,397,926	5,167,382
Profit from operations before Zakat	62,449,931	52,510,539
Zakat charge	(6,788,978)	(6,653,816)
Profit for the year after Zakat	55,660,953	45,856,723

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 contract entered into with them upon the expiry of the workers' contracts amounted to SR 45,4 million as at 31 December 2021 (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 a license in the amount of SR 10 million.

29. RISK MANAGEMENT

The Group is exposed to the following risks by using the 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 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 the value of a financial instruments may fluctuate due to change 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 risk 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.

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29. RISK MANAGEMENT (CONTINUED)

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 Company 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 31 December 2021, the exposure to credit risk for trade receivables was as follows:

	31 December 2021	31 December 2020
Trade receivables	112,684,252	103,587,043
Less: Allowance for expected credit losses	(28,519,911)	(22,827,043)
	<u>84,164,341</u>	<u>80,760,000</u>

The following table provides information about the exposure to credit risk and ECL for trade receivables as of 31 December 2021:

	<u>Weighted average loss rate</u>	<u>Gross carrying amount</u>	<u>Loss allowance</u>
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
		<u>112,684,252</u>	<u>28,519,911</u>

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

	31 December 2021	31 December 2020
Investments at FVTPL	30,387,909	45,097,903
Cash and cash equivalents	26,627,152	63,885,734
Due from related parties	52,390,288	33,606,602
Prepayments and other current assets	133,607,948	82,999,262
	<u>243,013,297</u>	<u>225,589,501</u>

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29. RISK MANAGEMENT (CONTINUED)

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

31 December 2021

Financial liabilities	Carrying value	Contractual cash flow			Total
		Less than 1 Year	More than 1 to 3 Year	More than 3 to 5 Year	
Retained deposits	7,752,265	7,752,265	-	-	7,752,265
Trade payables and Contract liabilities	29,286,032	29,286,032	-	-	29,286,032
Lease liability	19,511,114	12,216,023	7,295,091	-	19,511,114
	56,549,411	49,254,320	7,295,091	-	56,549,411

31 December 2020

Financial liabilities	Carrying value	Contractual cash flow			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
Lease liability	24,837,949	10,930,443	13,907,506	-	24,837,949
	63,828,001	49,920,495	13,907,506	-	63,828,001

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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.

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

Financial assets

	31 December 2021	31 December <u>2020</u>
Financial assets at amortized cost:		
Trade receivables and other current assets	84,164,341	80,760,000
Cash and cash equivalents	<u>26,627,152</u>	<u>63,885,734</u>
Total financial assets at amortized cost	<u>110,791,493</u>	<u>144,645,734</u>

The following table present the group's financial instruments measured at fair value at 31 December 2021 and 2020

	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
<u>31 December 2021</u>				
Investments at FVTPL	<u>30,387,909</u>	-	-	<u>30,387,909</u>
<u>31 December 2020</u>				
Investments at FVTPL	45,097,903	-	-	<u>45,097,903</u>

Financial liabilities

	31 December 2021	31 December <u>2020</u>
Financial liabilities at amortized cost:		
Retained deposits	7,752,265	8,705,216
Trade payables and other current liabilities	<u>29,286,033</u>	<u>31,261,682</u>
Total financial liabilities at amortized cost	<u>37,038,298</u>	<u>39,966,898</u>
Current portion of financial liabilities	37,038,298	39,966,898
Non-current portion of financial liabilities	-	-
Total financial liabilities	<u>37,038,298</u>	<u>39,966,898</u>

Capital management risks

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.

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30. IMPACT OF COVID 19

The Coronavirus (“COVID-19”) pandemic continues to disrupt global markets as many geographies are experiencing issues due to identification of multiple new variants of these infections. Despite having previously controlled the outbreak through aggressive precautionary measures. The Government of the Kingdom of Saudi Arabia, however, managed to successfully control the outbreak to date.

As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgement and uncertainty and therefore, the actual outcomes may be different to those projected

The management of the Group is currently monitoring the impact of the coronavirus on the Group’s operation, cash flows and financial position.

Management believes, based on their assessment, that the Group has sufficient liquidity available to continue to meet its financial commitments as and when they fall due.

31. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved for issuance by the Board of Directors on 18 Shawwal 1443H (corresponding to 19 May 2022).