Saudi Vitrified Clay Pipe Company
(Saudi Joint Stock Company)
Riyadh - Kingdom of Saudi Arabia

Financial statements and independent auditor's report
For the year ended December 31, 2021

Saudi Vitrified Clay Pipe Company
(Saudi Joint Stock Company)

Financial statements and independent auditor's report
For the year ended December 31, 2021

Allied Accountants Professional Services

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Independent Auditor's Report

To the shareholders of
Saudi Vitrified Clay Pipe Company
(Saudi Joint Stock Company)
Riyadh, Kingdom of Saudi Arabia

Opinion

We have audited the financial statements of Saudi Vitrified Clay Pipe Company (A Saudi Joint Stock Company) (the "Company") which includes the statement of financial position as at December 31, 2021, the statement of profit or loss and other comprehensive income, the statement of changes is owners' equity, and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31 2021, and its financial performance and cash flows for the year then ended in accordance with the international Financial Reporting Standards that are endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

Basis of opinion

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

Key Audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming auditor's opinion thereon, and we do not provide a separate opinion on these matters. for each matter below, our description of how our audit addressed the matter is provided in that context.

Independent Auditor's Report (continued)

To the shareholders of
Saudi Vitrified Clay Pipe Company
(Saudi Joint Stock Company)
Riyadh, Kingdom of Saudi Arabia

Key Audit matters (continued)

Key audit matter	How the matter was addressed during our audit
Impairment Assessment - machines and equipment The impairment assessment for property, plant and equipment is considered as a key audit matter due to the net book value amounted to SAR 141 million and significant judgments involved by management. The main assumption is related to the existence of impairment indicators including internal and external factors affecting the Company, which conclude that no impairment indicators and therefore no need for impairment testing. We considered this a key audit matter due to the judgments involved in identifying the causes of impairment and the complexity and estimates inherent in the discounted cash flow models. Property, plant and equipment should be tested annually for possible impairment, only if impairment indicators exist. Please refer to Note No. (4) of the accounting policy and Note No. (5) of the relevant disclosures about the financial statements.	**We have performed the following procedures in connection with impairment assessment – property, plant and equipment** • We obtained the share price analysis from the Tadawul website and reviewed the share price movement over the last three years. • We evaluated the reasonableness of budgeted key assumptions, and compared indicators used by management relating to relevant data with current year and subsequent. • We evaluated the performance of the Company for the year 2020 and 2021 and subsequent. We also compared the performance of the current year with the budget to ensure that growth rates and expectations are achieved and no significant variances exist in 2021. • We reviewed the management's plans for the year 2022 to consider their reasonableness and compare the budget for January 2022 with the actual performance. • We inquired the management, such as economic, environmental and other changes affecting future prospects and conducted the necessary audit to verify management responses.

Independent Auditor's Report (continued)

To the shareholders of
Saudi Vitrified Clay Pipe Company
(Saudi Joint Stock Company)
Riyadh, Kingdom of Saudi Arabia

Key Audit matters (continued)

Key Audit Matter	How the matter was addressed during our audit
Inventory Valuation As of December 31, 2021, the Company has a total inventory amounted to SR 43.5 million (2020: SR 42.7 million) in net after deducting the provision for obsolescence and slow-moving inventory for an amount of SR 2 million (2020: SR 2 million). Inventory is recorded at cost or net realizable value whichever is lower. When inventory is obsolete, its net realizable value is estimated, and this estimate is made for the significant amounts individually. insignificant amounts of inventory items are assessed on an aggregate basis and the provision are computed according to the type of inventory and the degree of obsolescence based on the expected selling prices. We considered this to be a key audit matter due to significant judgments and assumptions used by management when determining the extent of the need to establish a provision for damaged, slow-moving and obsolete inventory and the level of inventory reduction required based on the assessment of net realizable value. Please refer to note No. (4) of the accounting policy and note No. (10) for the related disclosures about the accompanying financial statements.	**We have done the following procedures with regard to inventory valuation:** • Attending the physical count at the year end and assessing the adequacy of controls over the existence of inventory; • Assessing the design and implementation, and testing the effectiveness of the Company's controls on purchases and monitoring the provision for damaged and obsolete and slow-moving inventory; • Review the Company's net realizable value test for inventory to verify if inventory has been assessed at cost or net realizable value whichever is lower. • Inquire about any damaged, obsolete, and slow-moving inventory or the validity of use or sale through the physical count of inventory. • Examine the adequacy of the disclosures of the Company in the financial statements.

Independent Auditor's Report (continued)

To the shareholders of
Saudi Vitrified Clay Pipe Company
(Saudi Joint Stock Company)
Riyadh, Kingdom of Saudi Arabia

Key Audit matters (continued)

Key Audit Matter (continued)	How the matter was addressed during our audit
Revenue recognition - Sale of goods As of December 31,2021, the Company's net sales are amounted to SR 88.7 million (2020: SR 123.3 million). Revenue from the sale of goods is measured at the fair value of the cash consideration that was collected or collectible for the sale of the goods in the course of the Company's normal business, the Company recognizes sales of goods when control of the goods is transferred or when the goods are delivered to the customer and all risks of obsolescence and losses are transferred to the customer. We considered this a key audit matter due to that there is a risk that the timing and amount of sales recognized in the current period could have a material impact on the financial performance. Please refer to note No. (4) of the accounting policy and note No. (17) for the related disclosures about the accompanying financial statements.	**We have done the following procedures with regard to revenue recognition - the sale of goods:** • Evaluating and testing the efficiency of controls to recognize the sales in accordance with Company policy. • We tested the design and effectiveness of the Company's internal controls throughout the revenue cycle. • Performing substantive test of details and analytical procedures for the sales that have been made, to verify that the sales have been recognized in the period to which they relate. • Test the sales contracts used by the Company for each significant type and test samples of the sales contracts. • Testing a sample of sales returns and verifying their registration according to the Company's policies and procedures in accordance with the applied accounting policies. • Examining journal entries that were made manually and in which it posted on sales to identify any unusual or irregular items. • Examine the adequacy of the disclosures of the Company in the financial statements.

Other information

Management is responsible for other information, and other information includes the information included in the Company's annual report, other than the financial statement and our auditor's report thereon, which is expected to be made available to us after the date of this auditor's report. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

With regard to our audit of the financial statements, it is our responsibility to read the other information identified above, and in doing so we consider whether the other information is materially inconsistent with the financial statements or with our knowledge obtained during the audit or otherwise appears to be materially misstated. If it becomes clear to us, through the work that we have done, that there is a material misstatement of this other information, then we are required to report on this fact, and we have no matters to be reported in this regard.

Independent Auditor's Report (continued)

To the shareholders of
Saudi Vitrified Clay Pipe Company
(Saudi Joint Stock Company)
Riyadh, Kingdom of Saudi Arabia

Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for evaluating the Company's ability to continue as a going concern, where appropriate, disclosing matters relating to going concern and the use of the going concern basis of accounting unless management intends to liquidate the Company or cease operations or have no realistic alternative but to do so.

Those charged with governance, the board of directors, are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

As a part of an audit in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional skepticism throughout the audit. We also do the following:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtains 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 a fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control for the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Independent Auditor's Report (continued)

To the shareholders of
Saudi Vitrified Clay Pipe Company
(Saudi Joint Stock Company)

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

- Evaluate the overall presentations, structure and the content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement stating that we have complied with the relevant ethical requirements relating to independence, and informing them of all relationships and other matters that may reasonably be believed to affect our independence, and also informing them, 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 financial statements of the current year 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 due to the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Allied Accountants Professional Service Company

المحاسبون المتحدون للإستشارات المهنية
س.ت: ٤٠٣٠٢٢٨٧٧٣
C.R. 4030228773
Allied Accountants Professional Services

Mohammed bin Farhan bin Nader
License 435

Riyadh, Kingdom of Saudi Arabia
Shaaban 4, 1443AH (March 7, 2022)

Saudi Vitrified Clay Pipe Company
(Saudi Joint Stock Company)

Statement of Financial Position
As at December 31, 2021

	Note	**2021** **SR**	2020 SR
Assets			
Non-current assets			
Property, machines and equipment, net	5	**177,923,849**	189,145,076
Intangible assets, net	6	**684,424**	1,026,636
Right of use assets, net	7	**4,550,318**	5,637,798
Advance payments for purchase machines and equipment	8	**1,208,298**	-
Total non-current assets		**184,366,889**	195,809,510
Current assets			
Prepaid expenses and other assets	9	**1,827,310**	1,913,216
Inventory, net	10	**43,526,816**	42,704,291
Accounts receivable, net	11	**47,469,657**	55,340,736
Cash on hand and banks balances	12	**36,225,600**	25,061,902
Total current assets		**129,049,383**	125,020,145
Total assets		**313,416,272**	320,829,655
Owners' Equity and Liabilities			
Owners' Equity			
Share capital	1	**150,000,000**	150,000,000
Statutory reserve	13	**75,000,000**	75,000,000
Retained earnings		**51,933,869**	53,979,049
Total owners' equity		**276,933,869**	278,979,049
Liabilities			
Non-current liabilities			
Lease obligations - noncurrent portion	7	**4,154,553**	4,786,791
Defined employees' benefit plan obligations	14	**13,857,866**	16,771,895
Total non-current liabilities		**18,012,419**	21,558,686
Current liabilities			
Lease obligations - current portion	7	**654,861**	668,065
Accruals and other liabilities	15	**6,769,895**	8,118,738
Contract obligation with clients		**769,082**	1,990,254
Accounts payable		**7,315,622**	6,219,864
Unpaid dividends to shareholders		**82,463**	82,463
Zakat provision	16	**2,878,061**	3,212,536
Total current liabilities		**18,469,984**	20,291,920
Total liabilities		**36,482,403**	41,850,606
Total owners' Equity and Liabilities		**313,416,272**	320,829,655

The accompanying notes from (1) to (26) form an integral part of these financial statements

Saudi Vitrified Clay Pipe Company
(Saudi Joint Stock Company)

Statement of Profit or Loss and Other Comprehensive Income
For the year ended December 31, 2021

	Note	**2021 SR**	2020 SR
Profit or loss			
Sales, net	17	**88,715,334**	123,369,143
Cost of sales	17	**(67,214,562)**	(83,396,408)
Gross profit		**21,500,772**	39,972,735
Selling and marketing expenses	18	**(5,097,409)**	(6,633,990)
General and administrative expenses	19	**(17,479,012)**	(20,299,688)
Net (loss) profit from main operations		**(1,075,649)**	13,039,057
Financing costs	7 – c	**(197,891)**	(234,898)
Other income	20	**1,615,435**	417,331
Net profit for the year before zakat		**341,895**	13,221,490
Zakat	16	**(2,397,236)**	(2,546,945)
Net (loss) profit for the year		**(2,055,341)**	10,674,545
Other comprehensive loss			
Items not to be reclassified to profit or loss in subsequent periods			
Re- measurement income (loss) on defined employees' benefit plan obligations	14	**10,161**	(1,791,974)
Total other comprehensive income (loss)		**10,161**	(1,791,974)
Total comprehensive (loss) income for the year		**(2,045,180)**	8,882,571
(Loss) earnings per share	21		
(Loss) earnings per share from net (loss) profit from main operations		**(0.07)**	0,87
(Loss) earnings per share from net (loss) profit		**(0.14)**	0,71
Number of shares		**15,000,000**	15,000,000

The accompanying notes from (1) to (26) form an integral part of these financial statements

Saudi Vitrified Clay Pipe Company
(Saudi Joint Stock Company)

Statement of changes in shareholders' equity
For the year ended December 31, 2021

	Share capital SR	Statutory reserve SR	Retained earnings SR	Total owners' equity SR
Balance as of January 1, 2020	150,000,000	75,000,000	60,096,478	285,096,478
Net profit for the year	-	-	10,674,545	10,674,545
Other comprehensive loss	-	-	(1,791,974)	(1,791,974)
Dividends distribution	-	-	(15,000,000)	(15,000,000)
Balance as of December 31, 2020	150,000,000	75,000,000	53,979,049	278,979,049
Net loss for the year	-	-	**(2,055,341)**	**(2,055,341)**
Other comprehensive income	-	-	**10,161**	**10,161**
Balance as of December 31, 2021	**150,000,000**	**75,000,000**	**51,933,869**	**276,933,869**

The accompanying notes from (1) to (26) form an integral part of these financial statements.

Saudi Vitrified Clay Pipe Company
(Saudi Joint Stock Company)

Statement of cash flows
For the year ended December 31, 2021

	2021 SR	2020 SR
Cash flows from operating activities		
Net (loss) profit for the year	(2,055,341)	10,674,545
Adjustments to reconcile net (loss) profit for year to net cash provided by operating activities		
Depreciation of property, machines, and equipment	12,795,770	13,051,344
Loss (gains) from the sale of property, machines, and equipment	2	(9,093)
Amortization of intangible assets	342,212	342,212
Depreciation of right of use assets	569,995	571,182
Losses from disposal right of use asset	95,368	-
Provision formed for damaged, obsolete, and slow-moving inventory	-	2,550,000
Write off Provision for damaged, obsolete, and slow-moving inventory	-	(8,458,204)
Write off of contract obligations with customers	(1,388,482)	-
Financing costs	197,891	234,898
Zakat provision	2,397,236	2,546,945
Defined employees' benefit plan obligations charged	1,479,466	1,705,700
	14,434,117	23,209,529
Changes in operating assets and liabilities		
Prepaid expenses and other assets	85,906	1,036,944
Inventory	(2,297,503)	3,751,357
Accounts receivable	7,871,079	7,538,686
Accrued expenses and other liabilities	(1,348,843)	(32,280)
Contract obligation with clients	167,310	(551,428)
Accounts payable	1,095,758	256,317
Results from operations	20,007,824	35,209,125
Zakat provision paid	(2,731,711)	(4,349,705)
Defined employees' benefit plan obligations paid	(4,383,334)	(4,782,422)
Net cash provided by operating activities	12,892,779	26,076,998
Cash flows from investment activities		
Additions to property, machines and equipment	(99,567)	(429,699)
Advance payments for purchase machines and equipment	(1,208,298)	-
Proceeds from the sale of property, machines and equipment	-	9,100
Net cash used in investment activities	(1,307,865)	(420,599)
Cash flows from financing activities		
Lease payments	(223,325)	(436,497)
Dividends paid	-	(29,990,271)
Financing costs paid	(197,891)	(234,898)
Net cash used in financing activities	(421,216)	(30,661,666)
Net change in cash on hand and banks balances	11,163,698	(5,005,267)
Cash on hand and banks balances at the beginning of the year	25,061,902	30,067,169
Cash on hand and banks balances at the ending of the year	36,225,600	25,061,902
Non-cash transactions		
Transfer from spare parts inventory to property, plant and equipment	(1,474,978)	(215,335)
Additions to right of use assets	-	(39,573)
Re- measurement (income) loss on defined employees' benefit plan obligation	(10,161)	1,791,974

The accompanying notes from (1) to (26) form an integral part of these financial statements

1 - Organization and Activities

A- Saudi Vitrified Clay Pipe Company ("the Company") is a Saudi joint stock Company registered in Saudi Arabia under the Commercial Register No. 1010014993 issued in Riyadh on Rabia AlAwwal 8, 1398 AH (corresponding to February 16, 1978).

The Company's main activity is in manufacturing of pipe.

The Company has obtained the following sub-commercial registration:

CR name	CR number	Date of issuance	Place of issuance	Activity
Saudi Vitrified Clay Pipe Company	1010609539	18/10/1438AH	Riyadh	Manufacture of pipes and trade of pottery and handicrafts

The financial statements represent the assets, liabilities and operations' results for the main and sub-commercial registration only

B- The Company's capital is set at SAR 150,000,000 with 15,000,000 equal-value nominal shares, with a par value of SR 10 for each, all of which are ordinary cash shares.

C- The Company's headquarters is located at the following address:
Saudi Vitrified Clay Pipe Company
Riyadh - Second Industrial City - Road No. 182
P.O 6415
Zip Code 11442
Kingdom of Saudi Arabia

2 - Basis of preparing financial statements

Statement of Compliance

These financial statements of the Company have been prepared in accordance with the international Financial Reporting Standards endorsed in Kingdome of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional and Accountants.

Basis of measurement

Theses financial statements have been prepared according to historical cost principle, going concern basis and the accrual basis of accounting. Other basis will be used if International Financial Reporting Standards as endorsed in the kingdom of Saudi Arabia and other standards and publications endorsed by Saudi Organization for Chartered and Professional and Accountants require that, as stated in applied accounting policies (note 4).

Functional and presentation currency

These financial statements are presented in Saudi Arabian Riyals which is the functional currency of the Company and are rounded to nearest Saudi riyal.

Significant accounting estimates, assumptions, and judgment

Preparing financial statements in accordance with international financial reporting standards endorsed in the Kingdom of Saudi Arabia and other standards and publications endorsed by the Saudi Organization for Auditors and Accountants requires the use of some significant estimates, assumptions and judgments that affect the amounts of assets and liabilities presented and the disclosure of potential assets and liabilities at the date of preparing the financial reports and the recorded amounts of revenues and expenses during the period of financial reports. Estimates, assumptions and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. The Company makes estimates, assumptions and judgments regarding the future. The resulting accounting estimates seldom equal the actual results.

Areas with a higher degree of judgment or estimation or areas of relative importance where estimates and assumptions have significant implications for the financial statements are as follows:

Going Concern

The Company's management made an assessment for its ability to continue as a going concern and concluded that it has the resources to continue its activity in the foreseeable future. In addition, the management is not aware of any substantial certainty that may cast doubt on the ability of the Company to continue according to the going concern basis. Accordingly, the financial statements have been prepared on the going concern basis.

2 - Basis of preparing financial statements (continued)

Significant accounting estimates, assumptions, and judgment (continued)

Useful life or residual value or depreciation or amortization method of property, machines and equipment and intangible assets
The Company's management estimates the estimated useful life of property, machines and equipment and intangible assets. This estimate is determined after consider the expected use of the asset or damage and the natural obsolescence. Management reviews the useful life or residual value or depreciation or amortization method of property, machines and equipment annually, whereby future depreciation or amortization is modified when management believes that the useful life, residual value or depreciation or amortization method is different from that used in previous periods.

Impairment of non-financial assets
The Company's management periodically reviews the book value of non-financial assets to determine whether there is any indication that such assets may be subject to any impairment loss. If there is any indicator, the recoverable amount of assets is estimated to determine the extent of impairment loss. When it is not possible to estimate the recoverable amount of assets individually, the Company estimates the recoverable amount of the cash generating unit to which the assets belong. If the amount of recoverable assets is estimated to be below its book value, the book value of the asset decreased to its recoverable value, and the impairment loss is recognized in the statement of profit or loss.

Impairment of inventory
Inventory are stated at the lower of cost or net realizable value. When inventory is old or obsolete, an estimate is made of net realizable value. This estimation is performed in respect of each significant amount on a reasonable basis. Amounts which are not considered material for each inventory item, but which are old or obsolete, are assessed collectively and a provision is formed for them depending on the type of inventory and the degree of obsolescence or old based on historical selling prices.

Impairment of receivables
An estimate of the collectible amount of accounts receivable is made when it is not possible to collect the full amount. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant and overdue are assessed collectively, and a provision is formed for them according to the length of time overdue they are due.

Employee benefits
The costs of employees' end-of-service plans and the present value of the end-of-service benefit obligations are determined using actuarial valuations. Actuarial valuations include assumptions that may differ from actual developments in the future. It includes determining the discount rate, future salary increases, mortality rate and future increases in pensions. Given the complexities involved in the valuation and its long-term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at the reporting date.

Zakat
In calculating zakat for the current year, the Company adjusted its net profit and applied a certain discount to its zakat to calculate zakat expenses. The Company has made the best estimates of these assumptions.

3 - New standards and amendments to standards, interpretations and issued standards that have not yet been applied

New standards and amendments to standards and interpretations

The application of the following amendments to the current standards does not have any significant financial impact on the financial statements of the Company in the current period or previous periods, and it is expected that they will not have a significant impact in future periods:

3 - New standards and amendments to standards, interpretations and issued standards that have not yet been applied (continued)

- Amendments to IFRS 16 (Lease Contracts) regarding the effects of COVID-19.
- Amendments to International Financial Reporting Standard No. 16 and International Financial Reporting Standard No. 7 regarding the correction of interest rate measurement - Phase Two.

Issued standards that have not yet been applied

A number of new declarations are effective for annual periods beginning on or after January 1, 2022, with early application permitted. However, the Company did not implement early application of the new or amended standards in preparing these financial statements.

Standards / Interpretations	Description	Effective from periods beginning on or after the following date
Amendments to IFRS 3	Business Combination	January 1, 2022
Amendments to IAS 16	Property, machines and equipment	January 1, 2022
Amendments to IAS 37	Provisions, contingent liabilities and assets	January 1, 2022
Amendments to IAS 1 and IFRS 2 Practice Statement	Disclosure of accounting policies and the exercise of judgments regarding materiality	January 1, 2023
Amendments to IAS 8	Definition of accounting estimates	January 1, 2023
Amendments to IAS 12	Deferred tax relating to assets and liabilities arising from a single transaction	January 1, 2023

The Company is evaluating the effects of the above standards, amendments and interpretations on the Company's financial statements.

4 - Summary of significant accounting policies

The following is a summary of the significant accounting policies followed by the Company:

Current versus non-current classification

The Company presents its assets and liabilities in the statement of financial position based on a current / non-current basis. The assets are considered as a current when its:

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

All other assets are classified as non-current.

All liabilities are considered as a current, when its:

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

All other liabilities are classified as non-current.

Property, machines and equipment

Property, machines and equipment are stated at cost less any accumulated depreciation and any impairment losses. The cost includes expenses directly attributable to the acquisition of property, machines and equipment. When parts of a property, machines and equipment item have useful life, they are computed as a main component of property, machines and equipment. Repair and maintenance expenses are considered as revenue expenses, while improvement expenses are considered capital expenditures. The depreciation is calculated on the basis of its estimated useful life using the straight-line method. The sold or disposed asset and its accumulated depreciation are removed from the accounting records at the date of sale or disposal.

4 - Summary of significant accounting policies (continued)

Property, machines and equipment (continued)

The estimated useful life for the main items of these property, machines and equipment is as follows:

Description	Useful life	Description	Useful life
Buildings erected on leased land	16-30 years old or lease period which is lower	Heavy equipment	10 years
Machinery and equipment	4-40 years old	Computers and printers	5 years
Vehicles	4-5 years	Leasehold improvements	5 years or lease period whichever is lower
Furniture and fixtures	6 years	Spare parts	5 years

The useful life and depreciation method are reviewed periodically to ensure that the depreciation method and useful life are in line with the expected economic benefits from property, machinery and equipment.

Impairment of assets
At each reporting date, the carrying amount of assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of a potential impairment, the recoverable amount of an affected asset (or related group of assets) is estimated and compared to it carrying amount. If the estimated recoverable amount is less, the carrying amount is reduced to its estimated recoverable amount, and the impairment loss is recognized directly in the statement of profit or loss.
In case that the non-financial assets impairment loss is reversed except for goodwill, the carrying amount of the assets (or a group of related assets) is increased to the adjusted estimate of the recoverable amount, but not more than the amount that would have been determined had no impairment loss been recorded for the assets (or a group of related assets) in prior years, a reversal of an impairment loss is recognized immediately in the statement of profit or loss.

Intangible assets
Intangible assets acquired separately are recognized at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition.

After initial recognition, intangible assets are stated at cost less any accumulated amortization and any accumulated impairment losses, if any. Intangible assets produced internally, with the exception of development costs, are not capitalized, and expenses are recognized in the statement of profit or loss when incurred.

The useful lives of intangible assets are estimated to be either finite or indefinite.

Intangible assets with finite useful lives
The amortization period and the amortization method for intangible assets with finite useful lives are reviewed at the end of each financial period. Changes in the expected useful life or the expected method of amortization of future economic benefits for the intangible assets are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense for intangible assets with finite useful lives is recognized in the statement of profit or loss in the expense category consistent with the function of the intangible assets.

Intangible assets acquired are recognized separately by cost. The cost of intangible assets acquired in the process of assembling works is fair value at the date of acquisition.

Intangible assets with finite useful lives are amortized using the straight-line method over their estimated useful lives as follows:

Description	Useful age
Accounting system	5 years

4 - Summary of significant accounting policies (continued)

Intangible assets (continued)

Intangible assets with indefinite useful lives
Intangible assets with indefinite useful lives are not amortized, but are tested to ensure that there is no impairment in their value annually, either individually or at the cash-generating unit level. The assessment of indefinite useful life is reviewed annually to determine whether indefinite useful life is still a possibility. If it is not, the useful life is changed from indefinite to finite on a prospective basis.

Profit or loss resulting from stopping of recognition of intangible assets is measured by the difference between the net proceeds of disposal and the carrying value of intangible assets, and is recognized in the statement of profit or loss when the intangible assets are no longer recognized.

Right of use assets and leases obligations
The Company has recognized new assets and liabilities for its operating leases for various types of contracts including office lands and leases. Each rental payment is apportioned between the liability and the finance cost. The finance cost is charged to the statement of profit or loss over the lease term so that a constant periodic rate of interest is achieved on the remaining balance of the liability for each period. The right to use the asset is amortized over the useful life of the asset or the lease term, whichever is shorter, on a straight-line basis.

Right of use assets, is initially recognized:

- The initial measurement amount of the lease obligation that is the present value of future lease payments;
- Any lease payments made on or before the starting date of the lease contract minus any lease incentives received;
- Any initial direct costs incurred by the Company as a lessee;
- An estimate of the costs that the Company will incur as a lessee to dismantle and remove the assets, and return the site where the asset is located to the original state.

The right-of-use asset is subsequently measured at cost less any accumulated depreciation and any accumulated impairment losses adjusted for any re-measurement of the lease obligation.

The Company depreciates the right-of-use asset over the estimated term of the lease on a straight-line basis.

The lease liability is subsequently measured as follows:
- Increasing the carrying amount to reflect the interest on the lease obligation;
- Reducing the carrying amount to reflect rental payments;
- Re-measure the carrying amount to reflect any revaluation or amendments to the lease agreement.

The Company separates the amounts paid into the original portion (presented within financing activities) and interest (presented within operating activities) in the statement of cash flows.

In accordance with International Financial Reporting Standard No. (16), "right-to-use assets" are tested for impairment in accordance with International Accounting Standard No. 36 "Impairment of Assets".

The Company separates the amounts paid into the original portion (presented under financing activities) and interest (presented within operating activities) in the statement of cash flows.

In accordance with International Financial Reporting Standard No. (16), "right-to-use assets" are tested for impairment in accordance with International Accounting Standard No. 36 "Impairment of Assets".

Lease term
The Company defines the lease term as the irrevocable period in the lease agreement along with:
- the periods covered by the option to extend the lease contract if the Company is reasonably certain that it will exercise that option;
- The periods covered by the option to terminate the lease agreement if the Company is reasonably certain that it will not exercise this option.

4 - Summary of significant accounting policies (continued)

Lease term (continued)
With regard to short-term leases (lease term of 12 months or less) and low-value contracts, the Company recognized the rental expense on a straight-line basis as permitted in IFRS 16, which is the same method that was accounted for in accordance with the Accounting Standard International No. (17) "Lease Contracts".

Financial instruments

Recognition and de-recognition
Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset have expired, or when the financial asset and all the risks and rewards have been materially transferred.

A financial liability is derecognized when it is extinguished, excluded, canceled or extinguished.

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset have expired, or when the financial asset and all the risks and rewards have been materially transferred.

Classification and Initial measurement of financial assets
All financial assets are initially measured at fair value adjusted for transaction costs (if any).
Financial assets - other than those designated and effective as hedging instruments - are classified into the following categories:

- Amortized cost.
- Fair value through profit or loss.
- Fair value through other comprehensive income.

The classification category is determined by:

- The Company's business model for managing financial assets.
- Characteristics of the contractual cash flow of financial assets.

All income and expenses related to financial assets recognized in profit or loss are presented in finance income, finance cost, or other financial items.

Subsequent measurement of financial assets

Financial assets at the amortized cost
Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- They are maintained within a business model that aims to maintain financial assets and collect their contractual cash flows.
- The contractual terms of the financial assets result in cash flows limited to payments of principal and interest due to the amount of principal outstanding.

This category includes non-derivative financial assets such as loans and receivables with fixed or determinable payments that are not quoted in an active market. After initial recognition, they are measured at amortized cost using the effective interest rate method. A discount is eliminated when the effect of the discount is not significant. Balances at banks and debtors that fall into this category of financial instruments fall into this category of financial instruments.

4 - Summary of significant accounting policies (continued)

Financial assets at fair value through profit or loss

Financial assets that are held within a different business model other than "hold for collection" or "hold for collection and sale" and financial assets whose contractual cash flows are not limited to principal payments and accrued interest are measured at FVTPL.

The fair value of financial assets in this category is determined by reference to an active market transaction or by using a valuation technique when there is no active market.

Financial assets at fair value through other comprehensive income

The Company calculates financial assets at fair value through other comprehensive income if the assets fulfill the following conditions:

- It is held within a business model that aims to conserve in order to collect and sell associated cash flows.
- That the contractual terms of the financial assets result in cash flows limited to payments of principal and interest due on the amount of principal non-outstanding debt.

Gains or losses recognized in other comprehensive income will be transferred when the asset is derecognized.

Impairment of financial assets

The new impairment requirements of IFRS 9 use more forward-looking information to recognize the Expected Credit Loss (ECL) model.

Recognition of credit losses no longer depends on the Company's initial determination of a credit loss event. Instead, the Company considers more extent for the range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, and reasonable and supportive forecasts that affect the expected collectability of the future cash flows of the instrument.

When applying this prospective approach, a distinction is made between:

- Financial instruments not had a significant credit quality deterioration since initial recognition, or that have low credit risk (level 1).
- Financial instruments whose credit quality has significantly decreased since initial recognition and whose credit risk is not low (level 2).

level 3 covers financial assets that have objective evidence of impairment at the reporting date. However, none of the Company's assets fall into this category.

"12 months of expected credit losses" are recognized for the first category while "lifetime ECLs" are recognized for the second category.

The ECL is determined by estimating the likely probability of credit losses over the expected life of the financial instrument.

The Company recognizes a 12-month expected credit loss for financial assets at FVOCI (if any). Since most of these instruments have good credit rating, the probability of their neutrality is small. However, at each reporting date, the Company evaluates whether there has been a significant increase in the credit risk of the instrument.

Derecognition of financial assets

The Company derecognize the financial assets only when the contractual rights to cash flows from the assets expire or it transfers the financial assets and the risks and rewards of ownership to another party. If the Company does not transfer or retain substantially all the risks and rewards of ownership of the assets, then the Company continues to recognize its share in the assets and liabilities associated with the financial assets to the amounts that it may have to pay.

Financial liabilities

Financial liabilities are classified either at amortized cost or at fair value through profit or loss.
All financial liabilities of the Company have been classified and measured at amortized cost using the effective interest method. The Company has no financial liabilities at fair value through profit or loss.

4 - Summary of significant accounting policies (continued)

Inventory
Inventory is recorded at cost or net realizable value, whichever is the lower. Cost is determined using the weighted average method. The cost of inventory comprises all costs of purchases, costs of conversion and other cost incurred in the bringing the inventory to their present location and conditions. In the case of finished production and in-progress inventory, cost includes the appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Accounts receivables
Trade receivables are amounts due from customers for products sold in the ordinary course of business. Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for expected credit loss in value, which is recognized in the statement of profit or loss.

Cash on hand and banks balances
Cash and cash equivalents comprise cash at bank and on hand cash and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in the value.

Defined employees' benefit plan obligations
- **End of service benefits**
  The end of service benefits provision is determined using the projected unit credit method, actuarial valuations being carried out at the end of annual reporting period. Remeasurements, comprising actuarial gains and losses, are recorded in the statement of financial position with charge of expenses and credit amounts in the statement of other comprehensive income in the period in which they occur. Remeasurements recognized in the statement of other comprehensive income are recorded immediately in retained earnings and will not be reclassified to statement of profit or loss.

- **Retirement benefits**
  The Company pays retirement contributions for its Saudi Arabian employees to the General Organization for Social Insurance. This represents a defined contribution plan. The payments made are expensed as incurred.

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

Provisions
Provisions must be recognized when the Company has a present obligation (legal or implicit) as a result of a past event, and it is probable that it will require an outflow of resources with economic benefits to settle this obligation, and that an estimate of the amount of the obligation can be made in a reliable manner.

When a recovery is expected (by a third party) for some or all of the expenditure required to settle a provision (through an insurance contract for example), The recovered amount is recognized only when it is certain that the recovered amount will be received if the entity settles the obligation, and this recovered amount is recognized as a separate asset. The expense relating to the provision is presented in the statement of profit or loss, net of the amount recovered.

Accounts payables and accruals
liabilities are recognized against amounts to be paid in the future for the goods or services received, whether or not they are provided with invoices by suppliers.

Contracts obligations with customers
Amounts received in advance from clients are recorded as contract obligations on the Company, provided that these amounts are recognized as realized revenue when the performance obligations are settled in accordance with the signed contracts.

4 - Summary of significant accounting policies (continued)

Related parties

The related party is a person or entity related to the Company, and the person is related if he owns control or significant influence over the Company or is a member of the main management, and the entity is related if the entity is a member in same the group as a parent Company or a subsidiary or an associate Company or associated with a joint venture, or both entities are a joint venture of a third party.

Transaction with related parties transfer of resources, services, or obligations between the Company and the related party, regardless of whether the price is charged. Key management personnel are the authorized and responsible persons for planning and management, and they have direct or indirect control over the operations of the Company, including the manager.

Accrued dividends

Dividend distribution to the Company's shareholders is recorded as a liability when the dividends are approved. According to the Companies Law in the Kingdom of Saudi Arabia, distributions are approved upon approval by the shareholders or an authorization from the shareholders to the Board of Directors to distribute interim dividends to the shareholders of the Company on a semi-annual or quarterly basis according to a decision of the Ordinary General Assembly and renewed annually. And that is in proportion to the Company's financial position and cash flows. The corresponding amount is deducted directly from owners' equity

Zakat provision

Estimated Zakat is an obligation on the Company and it is recorded in the financial statements by charging it to the statement of profit or loss in accordance with the standard of zakat and the opinion issued by the Saudi Organization for Chartered and Professional and Accountants, where it is calculated for the year in estimation according to the accrual basis.

Zakat is computed at the end of the year on the basis of the adjusted net income or the Zakat base, whichever is greater, according to the regulations of the Zakat, Tax, and Customs Authority in the Kingdom of Saudi Arabia.

Differences between the provision and the final assessment are recorded in the year in which the assessment is received.

Withholding tax

The Company collects taxes on transactions with non-resident parties in the Kingdom of Saudi Arabia and on dividends paid to non-resident shareholders in accordance with the regulations of the Zakat, Tax, and Customs Authority in the Kingdom of Saudi Arabia.

Value added Tax

Value-added tax has been applied in the Kingdom of Saudi Arabia, starting from January 1, 2018 (Rabi` al-Thani 14, 1439 AH). It is a tax on the supply of goods and services that the final consumer ultimately bears but is collected at every stage of the production and distribution chain as a general principle, therefore; the value-added tax treatment in the Company's accounts must reflect its role as a tax collector, and VAT should not be included in income or expenditures, whether of a capital or revenue nature. However, there will be circumstances in which the Company will bear VAT, and in such cases where the VAT is not refundable, it must be included in the cost of the product or service.

Revenue recognition

Revenue from the sale of goods is measured at the fair value of the cash consideration received or receivable from the sale of the goods in the Company's normal course of business. The Company recognizes revenue when control of the goods is transferred, or when the goods are delivered to the customer, and the control is transferred to customers, and there is no unfulfilled obligation that affects the customer's acceptance of those goods. Delivery takes place when the goods are shipped to the specified location and the risks of obsolescence and losses are transferred to the customer, and either the customer accepts the goods in accordance with the sales contract or with the acceptance provisions, or the Company has objective evidence that all acceptance criteria are met.
Trade receivables are recognized when the goods are delivered, as this is the point in time at which this amount is unconditional, because only time is required before the payment is due.

4 - Summary of significant accounting policies (continued)

Cost of sales

All expenses are recognized on an accrual basis, and operating costs are recognized on a historical cost basis. Production costs and direct manufacturing expenses are classified as cost of sales. This includes raw materials, direct labor and other related indirect costs. Other costs such as selling costs are recorded as selling and marketing expenses, while all other remaining costs are shown as general and administrative expenses.

Selling and marketing expenses

Selling and marketing expenses consist mainly of costs incurred in marketing and selling the Company's products. All other expenses are classified as general and administrative expenses.

General and administrative expenses

General and administrative expenses consist of direct and indirect costs that are not related to cost of revenue. Expenses should be apportioned on a consistent basis between general and administrative expenses and cost of revenue - whenever necessary. These expenses mainly include employee costs, other benefits for employees, bonuses and allowances for directors, maintenance fees, rental expenses, insurance, professional fees, and other.

Segment information

The business sector represents a group of assets and operations that jointly provide products or services that are subject to risks and returns that differ from those related to other business sectors, which are measured according to the reports used by the CEO and the main decision maker of the Company.

The geographical sector is related to providing products in a specific economic environment that are subject to risks and returns that differ from those related to business sectors in economic environments.

(Loss) earnings per share

Basic (loss) earnings per share is calculated from net (loss) profit by dividing the net (loss) profit for the year by the weighted average number of shares outstanding at the end of the year. Basic earnings per share from main operations is calculated by dividing the net profit from main operations by the weighted average number of shares outstanding at the end of the year.

Foreign currency transactions

Transactions in foreign currencies are carried out into Saudi Riyals at the exchange rates prevailing at the time of the transaction. Monetary assets and liabilities in foreign currencies as of the date of the statement of financial position are converted into Saudi riyals at the rates prevailing at the end of the year. Gains and losses arising from repayments or foreign currency exchange are included in the statement of profit or loss.

Non-monetary items are not retranslated at the end of each year, but are measured at historical cost (converted using the exchange rates at the date of the transaction), with the exception of non-monetary items measured at fair value, which are converted using the exchange rates at the date on which the fair value was determined.

5 - Property, machines and equipment, net

A- This item consists of the following:

As of December 31, 2021	Buildings contracted on leased lands SR	Machinery and equipment SR	Vehicles SR	Furniture and fixtures SR	Heavy equipment's SR	Computers and printers SR	Leasehold improvement SR	Spare parts SR	Total SR
Cost									
Balance, beginning of the year	99,764,856	407,165,359	3,949,207	3,061,300	5,935,825	135,075	1,351,640	7,907,945	529,271,207
Additions	-	99,567	-	-	-	-	-	-	99,567
Transfer from inventory spare parts	-	1,474,978	-	-	-	-	-	-	1,474,978
Disposal – F	(1,764,703)	(4,612,095)	-	-	-	-	-	-	(6,376,798)
Balance, ending of the year	98,000,153	404,127,809	3,949,207	3,061,300	5,935,825	135,075	1,351,640	7,907,945	524,468,954
Accumulated depreciation									
Balance, beginning of the year	61,979,006	257,165,355	3,927,616	3,019,017	4,772,098	113,303	1,241,792	7,907,944	340,126,131
Charged for the year	2,079,888	10,340,616	19,811	24,788	266,036	8,783	55,848	-	12,795,770
Disposal – F	(1,764,703)	(4,612,093)	-	-	-	-	-	-	(6,376,796)
Balance, ending of the year	62,294,191	262,893,878	3,947,427	3,043,805	5,038,134	122,086	1,297,640	7,907,944	346,545,105
Net book value	35,705,962	141,233,931	1,780	17,495	897,691	12,989	54,000	1	177,923,849

5 - Property, machines and equipment, net (continued)

A- This item consists of the following (continued):

As of December 31, 2020	Buildings contracted on leased lands SR	Machinery and equipment SR	Vehicles SR	Furniture and fixtures SR	Heavy equipment's SR	Computers and printers SR	Leasehold improvement SR	Spare parts SR	Total SR
Cost									
Balance, beginning of the year	99,764,856	406,950,024	4,013,402	3,061,300	6,082,381	134,320	1,351,640	7,907,945	529,265,868
Addition	-	-	-	-	428,944	755	-	-	429,699
Transfer from inventory spare parts	-	215,335	-	-	-	-	-	-	215,335
Disposals	-	-	(64,195)	-	(575,500)	-	-	-	(639,695)
Balance, ending of the year	99,764,856	407,165,359	3,949,207	3,061,300	5,935,825	135,075	1,351,640	7,907,945	529,271,207
Accumulated depreciation									
Balance, beginning of the year	59,899,118	246,703,020	3,948,210	2,986,095	4,980,934	103,210	1,185,944	7,907,944	327,714,475
Charged for the year	2,079,888	10,462,335	43,600	32,922	366,658	10,093	55,848	-	13,051,344
Disposal	-	-	(64,194)	-	(575,494)	-	-	-	(639,688)
Balance, ending of the year	61,979,006	257,165,355	3,927,616	3,019,017	4,772,098	113,303	1,241,792	7,907,944	340,126,131
Net book value	37,785,850	150,000,004	21,591	42,283	1,163,727	21,772	109,848	1	189,145,076

5 - Property, machines and equipment, net (continued)

B- The buildings costing SR 98,000,153 as of December 31, 2021 (2020: SR 99,764,856) are located on land leased from the Saudi Authority for Industrial Cities and Technical Zones (Modon) under operating leases on renewable terms.

C- The property, machines and equipment as of December 31, 2021 includes assets that have been fully depreciated and are still operating at a cost of SR 151,377,501 as of December 31, 2021 (2020: SR 154,676,187).

D- The spare parts item, which costs SR 7,907,945 as of December 31, 2021 (2020: SR 7,907,945), represents strategic parts for machinery and equipment costing SR 404,127,809 as of December 31, 2021 (2020: SR 407,165,359).

E- All improvements costing SR 1,351,640 as of December 31, 2021 (2020: SR 1,351,640) were made on premises leased under renewable operating leases.

F- The Disposal which cost SR 1,764,703 and SR 4,612,095 respectively as of December 31, 2021 represents the value of the buildings erected on the leased lands and the damaged machinery and equipment as a result of a fire in the Company's first factory (note 22 – b).

6 - Intangible assets, net

A- The following is the movement of intangible assets for the two years ended in December 31:

	2021 **SR**	2020 SR
Cost		
Balance, beginning of the year	**1,711,060**	1,711,060
Balance, ending of the year	**1,711,060**	1,711,060
Accumulated amortization		
Balance, beginning of the year	**684,424**	342,212
Charged for the year	**342,212**	342,212
Balance, ending of the year	**1,026,636**	684,424
Net book value	**684,424**	1,026,636

B- Intangible assets are represented in the Company's accounting system program.

7 - Right of use assets, net and lease obligations

A- This item consists of the following:

As of December 31, 2021	**Lands** SAR	**Offices** SAR	**Total** SAR
Cost			
Balance, beginning of the year	**5,511,650**	**1,265,085**	**6,776,735**
Disposals	**(1,130,405)**	**(33,301)**	**(1,163,706)**
Balance, ending of the year	**4,381,245**	**1,231,784**	**5,613,029**
Accumulated depreciation			
Balance, beginning of the year	**633,524**	**505,413**	**1,138,937**
Disposals	**(633,524)**	**(12,697)**	**(646,221)**
Charged for the year	**323,639**	**246,356**	**569,995**
Balance, ending of the year	**323,639**	**739,072**	**1,062,711**
Net book value	4,057,606	492,712	4,550,318

7 - Right of use assets, net and lease obligations (continued)

A- This item consists of the following (continued):

As of December 31, 2020	**Lands** SAR	**Offices** SAR	**Total** SAR
Cost			
Balance, beginning of the year	**5,475,183**	**1,261,979**	**6,737,162**
Additions	**36,467**	**3,106**	**39,573**
Balance, ending of the year	**5,511,650**	**1,265,085**	**6,776,735**
Accumulated depreciation			
Balance, beginning of the year	**315,359**	**252,396**	**567,755**
Charged for the year	**318,165**	**253,017**	**571,182**
Balance, ending of the year	**633,524**	**505,413**	**1,138,937**
Net book value	**4,878,126**	**759,672**	**5,637,798**

B- The depreciation of right of use assets is allocated as follows:

	2021 SR	2020 SR
Cost of sales	**323,639**	318,165
General and administrative expenses – note 19	**246,356**	253,017
	569,995	571,182

C- The following is lease obligations classification as of December 31:

	2021 SR	2020 SR
Lease obligations – noncurrent portion	**4,154,553**	4,786,791
Lease obligations – current portion	**654,861**	668,065

The total financing cost for the year ended December 31, 2021 is SR 197,891 (2020: SR 234,898).

Expenses related to short-term leases contracts for the year ended December 31, 2021 is SR 33,000 (2020: SR 33,000) (note 24 – d).

The Company has followed the policy of charging the financing cost to the statement of profit or loss over the leasing period using the effective interest rate and the right to use the asset was depreciated over the useful life of the asset or the lease period whichever is shorter on the basis of the fixed premium.

8 - Advance payments for purchase machines and equipment

The advance payments represent the cost of purchasing machines and equipment to be used in one of the production lines' stages instead of the machines and equipment that were damaged as a result of the fire that occurred in one of the production lines' stages in the Company's first factory. The cost of advance payments for the purchase of machinery and equipment amounted to SR 1,208,298 as at December 31, 2021 (2020: SR zero) (note 24 – b).

9 - Prepaid expenses and other assets

	2021 SR	2020 SR
Advance payments to suppliers	**825,792**	900,770
Prepaid expenses	**822,575**	728,136
Refundable deposit	**170,272**	247,409
Employees advance	**8,671**	36,901
	1,827,310	1,913,216

10 -Inventory, net

A- This item consists of the following:

	2021 SR	2020 SR
Spare parts	**18,576,407**	20,526,600
Raw Materials	**10,073,428**	10,653,204
Work in process	**12,197,511**	9,565,524
Accessories	**2,424,162**	2,659,838
Finished goods	**1,680,952**	1,006,795
Packaging inventory	**576,461**	294,435
	45,528,921	44,706,396
Provision for damaged, obsolete, and slow moving – B	**(2,002,105)**	(2,002,105)
	43,526,816	42,704,291

B- The following is the movement of provision for damaged, obsolete, and slow moving for the two years ended in December 31:

	2021 SR	2020 SR
Balance, beginning of the year	**2,002,105**	7,910,309
Formed during the year	-	2,550,000
Write-off during the year	-	(8,458,204)
Balance, ending of the year	**2,002,105**	2,002,105

11 -Accounts receivable, net

A- This item consists of the following:

	2021 SR	2020 SR
Accounts receivable	**63,941,701**	71,812,780
Provision for expected credit losses	**(16,472,044)**	(16,472,044)
	47,469,657	55,340,736

B- The following is the aging of receivable as at December 31:

	2021 SR	2020 SR
Up to 3 months	**29,749,340**	39,482,870
From 3 months up to 6 months	**5,992,251**	5,538,243
From 6 months up to one year	**9,819,228**	6,813,358
More than one year	**18,380,882**	19,978,309
	63,941,701	71,812,780

12 -Cash on hand and banks balances

	2021 SR	2020 SR
Bank balances	**36,223,533**	25,060,132
Cash on hand	**2,067**	1,770
	36,225,600	25,061,902

13 -Statutory reserve

- According to Companies Law in the Kingdom of Saudi Arabia and the Company by - laws, the Company transfers 10% of the annual net profit to the statutory reserve, as this transfer continues until this reserve reaches 30% of the capital. The statutory reserve is not available for distribution as dividends to shareholders.
- The Company has not formed statutory reserve due to its reaching 50% of the paid-up capital.

14 -Defined employees' benefits plan obligations

The Company's policy state that the eligibility of the defined employee benefit plan obligation for all employees who complete the qualifying service period under the Labor Law in the Kingdom of Saudi Arabia. The annual provision is based on the actuarial valuation. The most recent actuarial valuation was performed by an independent actuary, using the expected unit credit actuarial method.

A- The following is the main actuarial assumptions

	2021	2020
Discount rate	**1.9%**	1%
Salary increment	**1.9%**	1%

B- The following is the movement of defined employees' benefits plan for the two years ended in December 31:

	2021 SR	2020 SR
Balance, beginning of the year	**16,771,895**	18,056,643
Recognized in the statement of the profit or losses		
Interest cost and current service cost	**1,479,466**	1,705,700
Recognized in the statement of other comprehensive income		
Remeasurement of defined employees' benefit plan obligations	**(10,161)**	1,791,974
Paid during the year	**(4,383,334)**	(4,782,422)
Balance, ending of the year	**13,857,866**	16,771,895

15 -Accruals and other liabilities

A- This item consists of the following:

	2021 SR	2020 SR
Accrued employees' benefits and salaries	**2,067,334**	3,630,153
Accruals to related parties - C	**2,476,000**	2,662,141
Other accrued expenses	**2,226,561**	1,826,444
	6,769,895	8,118,738

B- The related parties' balances represent the fees for attending meetings and bonuses for members of the Board of Directors in addition to salaries and other benefits for members of higher management.

C- The following is the balances due to the related parties as of December 31:

Related party	**2021 SR**	2020 SR
Board of Directors	**2,017,000**	2,042,000
Senior Management	**459,000**	620,141
	2,476,000	2,662,141

D- The following is the significant transactions with related parties for the two years ended in December 31:

Related party	**Type of transaction**	**2021 SR**	**2020 SR**
Board of Directors and related committees	Board, committees' remunerations and meeting attendance fees	**1,982,000**	3,057,000
Senior Management	Salaries and other benefits	**7,065,920**	7,304,000

16 -Zakat provision

A- The following movement of the zakat provision for the two years ended in December 31:

	2021	2020
	SR	SR
Balance, beginning of the year	**3,212,536**	5,015,296
Formed during the year	**2,397,236**	2,546,945
Paid during the year	**(2,731,711)**	(4,349,705)
Balance, ending of the year	**2,878,061**	3,212,536

B- The following are main components of the zakat base for the two years ended in December 31:

	2021	2020
	SR	SR
Owners' equity	**278,979,049**	285,096,478
Adjusted and subjected zakat income	**1,821,361**	8,965,790
Paid distributed dividends	-	(15,000,000)
Additions	**37,265,336**	30,713,768
Deductions	**(202,943,296)**	(210,698,311)
Zakat base	**115,122,450**	99,077,725
Zakat	**2,397,236**	2,546,945

C- Zakat Status

- The Company finalized its zakat status until 2017, and submitted the zakat return along with financial statements to Zakat, Tax and Customs Authority for the years 2018, 2019 and 2020 and paid the due amounts according to those returns and obtained the required certificates.

- No zakat assessments were received for the year 2018.

- The Company received zakat assessments for the years 2019 and 2020 from the Zakat, Tax and Customs Authority, whereby the authority requested the payment of additional zakat in the amount of SR 116,075. the Company has objected to the aforementioned zakat assessments, and the objection submitted by the Company is still under review by the Authority.

17 -Segment information

A- The Company presents segment information based on the geographical division of sales, as the Company has customers inside and outside the Kingdom of Saudi Arabia, as follows:

	December 31, 2021		
	Inside KSA	**Outside KSA**	**Total**
	SR	**SR**	**SR**
Sales, net	**86,737,243**	**1,978,091**	**88,715,334**
Cost of sales	**(65,715,997)**	**(1,498,565)**	**(67,214,562)**
Gross profit	**21,021,246**	**479,526**	**21,500,772**

	December 31, 2020		
	Inside KSA	Outside KSA	Total
	SR	SR	SR
Sales, net	121,661,461	1,707,682	123,369,143
Cost of sales	(82,249,524)	(1,146,884)	(83,396,408)
Gross profit	39,411,937	560,798	39,972,735

17 -Segment information (continued)

B- The following is the details of international sales according to geographical segment:

	2021		2020	
	Ratio	**SR**	Ratio	SR
Yemen	**%1.602**	**1,421,573**	%0.378	466,020
Belgium	**%0.567**	**502,797**	%0.997	1,230,577
China	**%0.047**	**41,514**	-	-
Qatar	**%0.014**	**12,207**	-	-
Sudan	-	-	%0.009	11,085
	%2.230	**1,978,091**	%1.384	1,707,682

18 -Selling and marketing expenses

	2021	2020
	SR	SR
Fright expenses	**3,944,884**	5,155,870
Other benefits costs for salesmen	**1,137,497**	1,467,706
Other	**15,028**	10,414
	5,097,409	6,633,990

19 -General and administrative expenses

	2021	2020
	SR	SR
Employees' benefits and salaries	**13,455,397**	14,800,990
Allowances and bonuses for board members	**1,982,000**	3,057,000
Professional and consulting fees	**284,795**	901,350
Depreciation of right of use assets – note 7	**246,356**	253,017
Bank charges	**226,000**	263,574
Insurance and medical expenses	**164,964**	202,650
Maintenance	**107,993**	25,871
Travel and transportation	**38,150**	20,141
Other	**973,357**	775,095
	17,479,012	20,299,688

20 -Other income

A- This item consists of the following:

	2021	2020
	SR	SR
Write-off of contract obligations with clients – b	**1,388,482**	-
Gains from financial claims and lawsuit – c	**150,000**	-
Support from the Human Resources Development Fund	**259,450**	-
Discounts on other credit balances	**39,138**	157,562
(Loss) gain from sale of property, machines, and equipment	**(2)**	9,093
(Loss) gain exchange rates	**(48,101)**	146,369
Losses from disposal right of use asset	**(95,368)**	-
other (loss) gains	**(78,164)**	104,307
	1,615,435	417,331

B- On December 31, 2021 the Company's board of directors agreed to write off contract obligations with customers, amounting to 1,388,482 Saudi riyals. This amount represents the payments made by customers from previous years, for which the Company did not provide any services in accordance with the concluded contracts.

20 - Other income (continued)

C- In accordance with the judgment issued by the Execution Court regarding the case filed years ago against Qatari Diar Company (the defendant), the court obligated the defendant (Qatari Diar Company) to pay an additional amount of 150,000 Saudi riyals in favor of the Company.

21 - (Loss) earnings per share

Basic (loss) earnings per share from net profit is calculated by dividing the net (loss) profit for the year by the weighted average number of shares outstanding at the end of the year of 15 million shares. Basic (loss) earnings per share from main operations is calculated by dividing the net (loss) profit from main operations for the year by the weighted average number of shares outstanding at the end of the year of 15 million shares. The diluted (loss) earnings per share is the same as basic (loss) earnings per share in that the Company does not have any convertible shares.

22 - Significant Matters

- Given what the world and the region is going through in terms of the outbreak of the Corona virus (Covid-19) in various areas in the world, which is considered a global pandemic that may result in disruptions in commercial and economic activities at the global and internal levels of the Kingdom of Saudi Arabia, the Company's management was unable to determine the future impact on the financial statements of the Company and the results of its work regarding those events due to its connection with the state's decisions and it is not possible to determine the extent of the end of this crisis, the management and those responsible for governance will continue to monitor the situation and provide stakeholders with developments as required by the laws and regulations.

- On July 30, 2021, a fire occurred in the Flexible Connections Department in the first factory in the Company, which resulted in the damage of machines and equipment whose cost in the accounting records amounted to SR 4,612,095, and its net book value amounted to SR 2 on the date of disposal, as well as damage in one of the buildings erected on leased lands, its cost in the accounting records amounted to SR 1,764,703, and the net book value of those buildings erected on leased lands amounted to SR zero on the date of disposal. The fire also resulted in damage to inventory, which cost SR 1,846,319 on the date of the fire and was included in the costs. The factory has insurance coverage for the loss caused by such accidents as well as compensation for the loss caused by the business interruption. The Company submitted the claim to the insurance Company and provided all the required documents to the insurance Company in order to claim the insurance Company for compensation for the damages caused by the fire. The procedures for reviewing and evaluating the claim by the insurance Company are still under process until the date of preparing the financial statements. The management believes that the insurance coverage is sufficient to cover the losses caused as a result of the fire. The production process in the Company's second factory continues normally, and the management believes that it is able to provide all customers' needs without delay until work resumes in the damaged department in the Company's first factory.

23 - Financial instruments, risk management and fair value

Fair value

The fair value represents the price that could be received as a result of selling an asset or that could be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that a transaction between the asset or a liability transfer takes place that takes place either:

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

The fair value measurement of a non-financial asset considers the ability of market participants to achieve economic benefits by using the asset in the best possible way and the highest possible interest, or by selling it to another market participant who will use the asset in the best way and with the highest possible interest.

Fair values are classified into different levels in the fair value hierarchy based on the inputs used in the valuation methods as follows:

23 -Financial instruments, risk management and fair value (continued)

Fair value (continued)

- Level one: the quoted market prices in active markets for the same financial instruments.
- Level two: valuation techniques that depend on inputs that affect the fair value and can be directly or indirectly observed in the market.
- Level three: Valuation techniques that depend on inputs that affect the fair value that cannot be directly or indirectly observed in the market.

The Company's management believes that the fair value of the Company's financial assets and liabilities is not materially different from their carrying value.

Capital risk management
The Company manages its capital to ensure that the Company will continue as a going concern, while obtaining the highest return through the optimum level of debt and equity balances. The overall corporate strategy has not changed for the year 2020.

The Company's capital structure includes the equity attributable to the shareholders of the Company, which consists of capital, reserves, and retained earnings as they are included in the statement of changes in owners' equity.

Financial risk management
The Company's activities may be exposed mainly to financial risks resulting from the following:

- *Credit risk management*
  Credit risk is represented in the failure of one of the parties to the financial instrument contracts to fulfill its contractual obligations, which leads to the Company incurring financial losses. The Company is exposed to credit risk on its bank balances and receivables as follows:

  A- Trade receivables: The Company's exposure to credit risk is mainly affected by the individual characteristics of each individual customer, but the management also considers the factors that may have an impact on the credit risk of the Company's customer base, including the risk of default in the customer sector and the countries in which it is engaged in which customers are their activities. The Company's net sales to external customers amounted to 1,978,091 Saudi riyals, representing 2,230% (2020: 1,707,682 Saudi riyals, representing 1.384%), which are unsecured balances (note 17).

  B- banks balances: the cash balance is in current accounts where cash is deposited with financial institutions with a high credit rating, the risk of liquidity is the risk of the Company facing the difficulty of fulfilling its obligations associated with its financial obligations that are settled by paying in cash or through Other financial assets, and the Company's approach to abundance of liquidity aims to ensure that it always has sufficient liquidity as possible to meet its obligations upon maturity under normal and critical circumstances without incurring losses or endangering the Company's reputation.

23 - Financial instruments, risk management and fair value (continued)

Fair value (continued)

- *Liquidity Risk*

The following is a statement of the remaining contractual maturities of the financial liabilities at the reporting date. The amounts are gross and undiscounted:

		Contractual cash flows	
December 31, 2021	Book value SAR	Less than 3 months SAR	From 3 to 12 months SAR
Liabilities			
Lease obligations – current portion	**654,861**	**167,016**	**487,845**
Accounts payable, accrued expenses and other liability	**14,085,517**	**9,958,003**	**4,127,514**
Contract obligations with clients	**769,082**	**769,082**	-
Zakat provision	**2,878,061**	**2,878,061**	-

		Contractual cash flows	
December 31, 2020	Book value SAR	Less than 3 months SAR	From 3 to 12 months SAR
Liabilities			
Lease obligations – current portion	668,065	167,016	501,049
Accounts payable, accrued expenses and other liability	14,338,602	1,716,677	12,621,925
Contract obligations with clients	1,990,254	1,578,692	411,562
Zakat provision	3,212,536	3,212,536	-

- *Market risk management*

Market risk is the risk of the potential impact of changes in market prices, such as foreign exchange rates and commission rates. The objective of market risk management is to manage and control market risk exposure within acceptable limits while achieving the highest possible return.

A- Foreign exchange rate risk: Foreign exchange rate risk results from changes and fluctuations in the value of financial instruments as a result of changes in foreign exchange rates. The Company did not carry out any operations of relative importance in currencies except for the Saudi riyal, the US dollar and the euro. Since the Saudi riyal exchange rate is fixed against the US dollar and does not represent significant currency risk, the Company's management monitors currency exchange rates and believes that currency risk is not effective.

B- Commission rate risk: Commission risk arises from possible changes and fluctuations in commission rates that affect future profit or fair values of financial instruments. The Company monitors commission rate fluctuations and believes that the impact of commission rate risk is not effective.

24 -Contingent liabilities and outstanding issues

A- The Company has banking facilities in the form of letters of guarantee for government agencies by local banks as of December 31, 2021 for a total amount of SR 14,755 million (2020: SR 13.917 million).

B- The Company has purchase commitments related to purchase of machinery and equipment amounting to EUR 2,390,040 (SR 9,991,801 as at December 31, 2021) (2020: SR zero).

C- There are existing claims and financial claims by the Company as follows:

- A lawsuit filed by the Company (as the plaintiff) against the Commercial Services and Agencies Limited Company (as the defendant), the matter is related to the claim of the Saudi Vitrified Clay Pipes Company to refund the money owed by the Commercial Services and Agencies Limited Company. The court assigned an accounting expert to examine the case, and at the conclusion of his report concluded that the plaintiff was entitled to amounts of 3,305,778 Saudi riyals, and the expert concluded that the defendant was harmed by not implementing purchase orders worth 8,306,346 Saudi riyals. The case was returned to the expert, and a session was scheduled at a later date for the report to be received. While awaiting the verdict.

- The Company filed a financial claim claiming Qatari Diar Company for an amount of 2,858,612 Saudi riyals. The court ruled in favor of the Company for the full amount, in addition to compensation for damages in the amount of 150,000 Saudi riyals.

- The Company has financial claims in which Bin Samar Company claims an amount of 5,327,618 Saudi riyals. The financial claim has been submitted to the Al Ain office by the Bankruptcy Authority (Bassam Muhammad Al-Baqawi's office), which is following up on the financial reorganization of Bin Samar Company and accordingly, these financial claims have been fully approved by court.

- The Company has financial claims in which Azmeel Company claims an amount of 194,630 Saudi riyals. The financial claim has been submitted to the Bankruptcy Committee (Ghassan Muhammad Al Majid Office), which is following up on the financial reorganization of Azmeel Company, and accordingly, these financial claims have been approved in full.

- The Company has financial claims demanding Al-Nwaiser Company for an amount of 212,000 Saudi riyals. The Company has filed a lawsuit with the Commercial Court and the case is still under procedure and no final judgment has been issued on it.

- The Company has financial claims in which the Abdulaziz Al-Ghunaim Organization is claiming an amount of SR 993.002. The Company has filed a lawsuit with the General Court and the case is still under procedure and no final judgment has been issued on it.

- The Company has financial claims in which the Abdul Rahman Al Mofawz Foundation claims an amount of 725,000 Saudi riyals. The judgment was passed in favor of the Company by the enforcement court, obligating the defendant to pay the full amount.

- The Company has financial claims in which Haider Saleh Al Haider and his partner Company claims an amount of 833,476 Saudi riyals. A request was submitted to issue a performance order amounting to 773,727 Saudi riyals and referred to the Orders and Orders Department of the Commercial Court in Dammam, and it is still pending before the Court's Orders Department to implement that request.

- The Company has financial claims in which Al-Mashareq Trading and Contracting Company claims an amount of SAR 581,378. A request has been submitted to issue a performance order for the full amount and referred to the Court's Requests and Orders Department, and it is still pending before the court department to implement that request.

The Company has covered these amounts within the provision for expected credit losses.

24 - Contingent liabilities and outstanding issues (continued)

D- The Company has obligations for operating lease contracts that represent the minimum lease payments payable. The minimum amounts are not subject to cancellation in exchange for the rental of residential facilities.

	2021	2020
	SAR	SAR
Within one year.	**33,000**	33,000
More than one year and less than five years	**363,000**	363,000

25 -Subsequent events

Management believes that there are no significant subsequent events after the date of the financial statements and before the issuance of these financial statements that require their amendment or disclosure.

26 -Approval of financial statements

The financial statements were approved by the Board of Directors after the recommendation of the members of the audit committee to approve them on Shaaban 4, 1443AH (March 7, 2022).