AL ABDULLATIF INDUSTRIAL INVESTMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

Consolidated financial statements for the year ended December 31, 2020
(All amounts in thousands Saudi Riyals unless otherwise stated)

CONTENTS

MOORE

El Sayed El Ayouty & Co.
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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS
AL ABDULLATIF INDUSTERIAL INVESTMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
RIYADH - SAUDI ARABIA

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated accompanying financial statements of Al Abdullatif Industrial Investment Company – A Saudi Joint stock Company ("the Company") and its subsidiaries (Collectively referred to as "The Group") which comprise the consolidated statement of financial position as at December ٣١, 2020, the consolidated statement of profits or losses and other comprehensive income, the consolidated statement of changes in shareholders' equity and the consolidated statement of cash flows for the year then ended, and the notes (١) to (36) thereon, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the group as at December ٣١, ٢٠20, 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 Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants (SOCPA), appropriate to the circumstances of the group.

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 conducts 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 evidences that we have obtained are sufficient and appropriate to provide a basis for our opinion.

Other matter

The consolidated financial statements for the year ended December 31, 2019 were audited by another auditor who expressed an unqualified opinion dated March 19, ٢٠٢٠.

Key audit matters

Key audit matters are those matters that, according to our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters include the following:

السيد العيوطي وشركاه
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REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS...(continued)

Revenue recognition	
The key audit matter	**How our audit addressed the key audit matter**
Revenue recognition is considered a key audit matter as revenue being an important element of the company's performance and results, and due to its inclusion of inherit risks that may cause the management to override the internal control procedures by recognizing revenues with more than their actual value in order to achieve the goals or to improve the results of the group. As stated in Note No. (22), the group realized for the year ended December 31, 2020 total revenues amounted to SR 466,094 thousand (2019: SR 600,506 thousand).	The audit procedures which we have performed, among other matters based on our judgment, included the following : • Tested the design of internal control procedures and its effectiveness in relation with recognition of revenue and the related receivables thereof. • Tested the cut-off procedures to ensure recording of revenue in their correct periods. • Performed analytical procedures to understand the causes of revenue variance compared with the previous year and verify its reasonableness and determine whether there are significant fluctuations need additional review in light of our understanding to the current market conditions. • Performed tests of details to a sample of the sold products and verify the proper application of revenue recognition policy. • Verify the appropriateness of revenue recognition accounting policy to realize the group's revenue in accordance with the requirements of International Financial Reporting Standard No. (15) Revenue from contracts with clients.
Refer to Note No. (3.18) to the financial statements of the accounting policy related to Revenue.	

Recoverability of trade receivables	
The key audit matter	**How our audit addressed the key audit matter**
The collectability of trade receivables is considered a key audit matter as it comprise a major element of the group's management for the working capital that is being managed on an ongoing basis, and due to impairment of trade receivables is determined using expected credit losses models that include significant judgments and estimates. It may have a material impact on the group's financial statements. Management makes significant judgments, estimates and assumptions for measuring and recording expected credit losses. As stated in note No. (10), the total balance of trade receivables as at December 31, 2020 amounted to SR 361,586 thousand (2019: SR 371,492 thousand), and a provision made for expected credit losses as at December 31, 2020 amounted to SR 15,401 thousand (2019: SR 10,401 thousand).	The audit procedures which we performed , among other matters based on our judgment , included the following: • Tested the group's procedures for controlling receivables, including controls over credit terms. • Tested a sample of receivable balances being provided provision for impairment during the year to determine the appropriateness of judgments, estimates and assumptions set by the management, and to assess the methodical approaches performed by the group to determine the probability of default and the extent of its inclusion the information related to the future expectations in computation of the expected credit losses. • Performed an analysis of significant receivables that are more than one year old and no provision has been provided for them by the group's management, taking into account the collections of the subsequent period to determine whether there are indications of impairment. • Reviewed arrangements and / or correspondence related to clients' receivables for the purpose of assessing collectability of the material amounts that due for collection a long time ago. • Evaluate the adequacy of the disclosures included in the financial statements in accordance with the requirements of International Financial Reporting Standard No. (9 and No. 7)-Financial instruments and disclosures.
Refer to Note No. (٣.١7) to the financial statements of the accounting policy related to Financial instruments.	

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INDEPENDENT AUDITOR'S REPORT

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REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS...(continued)

Inventory evaluation:	
The key audit matter	**How our audit addressed the key audit matter**
Inventory is considered a key audit matter due to the nature of the group's activity that depends primarily on the inventory in generating revenues and the extent of the its impact on business results, and because the evaluation of inventory and determination of its impairment requires using several important assumptions and estimates that may have material impact on the group's financial statements. As stated in Note No.(9) , the total balance of inventory as at December 31, 2020 amounted to SR 340,271 thousand (2019: SR 379,614 thousand), and a provision made for impairment of inventory as at December 31, 2020 amounted to SR 4,604 thousand (2019: SR 4,673 thousand Saudi riyals).	The audit procedures which we have performed, among other matters based on our judgment , included the following: • We attended and observed the annual count of the company's inventory as at December 31, 2020 to verify the physical existence and good condition of a sample being randomly selected from items. • Tested the validity of inventory measurement at lower of cost or net recoverable value. Also, we reviewed the company's policy to determine the cost using the weighted average method. • Tested the reasonableness of the estimates used by the company in studying the impairment of obsolete and slow moving inventory. • Evaluate the adequacy of the disclosures included in the financial statements in accordance with the requirements of the relevant International Financial Reporting Standards.
Refer to Note No. (3.6) to the financial statements of the accounting policy related to Inventory	

Property, plant and equipment:	
The key audit matter	**How our audit addressed the key audit matter**
Property, plant and equipment are considered a key audit matter as measurement of depreciation and impairment requires that the management make judgments, assumptions and estimates related to determining the useful life and method of depreciation and perform a test for the impairment of property, plant and equipment (if any). As stated in Note No. (5) , the net book value of property, plant and equipment as at December 31, 2020 amounted to SR 298,646 thousand (2019: SR 341,298 thousand)	• The audit procedures which we have performed, among other matters based on our judgment , included the following: • Carried out study and review of the internal controls related to financial operations in connection with property, plant and equipment. • Performed analytical and documentary study to movements of additions and disposals made to the account of property, plant and equipment. • Verify the physical existence and ownership of the property, plant and equipment by the group. • Verify the correctness of the computation of depreciations according to the management's estimates of the useful lifes. • Verify that there are no indications of impairment of property, plant and equipment requires an impairment test. • Verify the correctness of the presentation, disclosure and accounting policies in accordance with the relevant International Financial Reporting Standards.
Refer to Note No. (3.2) to the financial statements of the accounting policy related to property, plant and equipment	

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AL ABDULLATIF INDUSTERIAL INVESTMENT COMPANY
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REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS...(continued)

Other information

The other information include the information included in the group's annual report for the year ended December 31, 2020 rather than the financial statements and the independent auditor's report thereon. The group's management is responsible for the other information mentioned in its annual report. It is expected that the annual report will be available to us after the date of this auditor's report.

Our opinion on the financial statements does not include the other information, nor does it express any form of assurances in this regard.

With regard to our audit of the financial statements, it is our responsibility to read the information stated above , and in doing so, we consider whether the other information are materially inconsistent with the financial statements or the information we obtained during the audit process, or otherwise appears to contain material misstatement.

When we read the other information and discover that there is a material misstatement therein, we must inform those charged with governance accordingly.

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 International Financial Reporting Standards as endorsed in the Kingdom Saudi Arabia and other standards and pronouncements that are issued by SOCPA, and the provisions of Companies' Law and company's Articles of Association and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the 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 choice of an appropriate alternative but to do so.

Those charged with governance are responsible for overseeing the group's financial reporting process.

Auditors' 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 auditors' 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS...(continued)

Auditors' 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 for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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, we are required to draw attention in our auditors' 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 auditors' 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 a fair presentation.

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

We have also provided those charged with governance with a statement stating that we have complied with relevant ethical requirements related to independence, and have informed them of all relationships and other matters that we may reasonably believe affect our independence, and relevant safeguards, if required.

Among the matters communicated to those charged with governance, we determined those matters that we considered most important when auditing the consolidated financial statements for the current period, which are the key audit matters. We describe these matters in our report unless a public disclosure system or regulation prohibits the matter, or when we see, in very rare circumstances, that the matter should not be reported in our report because the negative consequences of doing so are reasonably expected to outweigh the benefits of the public interest resulting from this Reporting.

FOR EL SAYED EL AYOUTY & CO.

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A. Balamash

Abdullah Ahmad Balamash
Certified Public Accountant
License No. (345)

Riyadh: **Sha'ban 11, 1442 H.**
March 24, 2021 G.

AL ABDULLATIF INDUSTRIAL INVESTMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

Consolidated statement of financial position
(All amounts in thousands Saudi Riyals unless otherwise stated)

		As at December 31,	
Assets	Notes	2020	2019
Non-current assets			
Property, plant and equipment- net	5	298,646	341,298
Investment properties – at cost	6	50,000	50,000
Right-of-use assets – net	7.1	17,798	19,388
Investments at fair value through other comprehensive income	8	82,775	72,377
Total non-current assets		**449,219**	**483,063**
Current assets			
Inventory – net	9	335,667	374,941
Trade receivables- net	10	346,185	361,091
Due from related parties	11.1	38,798	38,452
Prepaid expenses and other debit balances	12	27,517	40,619
Investments at fair value through profits or losses	13	8,750	16,258
Cash and cash equivalents	14	76,651	69,683
Total current assets		**833,568**	**901,044**
Total assets		**1,282,787**	**1,384,107**
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	15	812,500	812,500
Statutory reserve	16	241,429	241,429
Reserve for valuation of investments at fair value		(4,538)	(13,361)
Retained earnings		82,314	108,258
Total shareholders' equity		**1,131,705**	**1,148,826**
Non-current liabilities			
Leases obligations – non-current portion	7.2.2	17,131	18,468
Employees' defined benefits obligations	17	13,428	11,385
Total non-current liabilities		**30,559**	**29,853**
Current liabilities			
Banks- credit facilities	18	66,304	144,355
Leases obligations –current portion	7.2.1	1,202	1,293
Trade payables	19	12,879	17,734
Due to related parties	11.2	185	-
Accrued expenses and other payable balances	20	16,858	22,589
Dividends payable		1,076	1,076
Provision for zakat	21	22,019	18,381
Total current liabilities		**120,523**	**205,428**
Total liabilities		**151,082**	**235,281**
Total shareholders' equity and liabilities		**1,282,787**	**1,384,107**

Chief Financial Officer | **Authorized BOD's Member** | **Chief Executive Officer**

The accompanying notes (1) to (36) form an integral part of these consolidated financial statements

AL ABDULLATIF INDUSTRIAL INVESTMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

Consolidated statement of profits and losses and other comprehensive income
(All amounts in thousands Saudi Riyals unless otherwise stated)

	Note	For the year ended December 31, 2020	2019
Revenue	22	466,094	600,506
Cost of revenue	23	(435,796)	(559,466)
Gross profit		**30,298**	**41,040**
Selling and marketing expenses	24	(15,608)	(18,306)
General and administrative expenses	25	(21,302)	(19,134)
Other income	26	7,115	7,055
Profit from operating activities		**503**	**10,655**
Net cost of finance	27	(3,626)	(5,901)
Dividends income		447	-
Profits of valuation of investments at fair value through profits or losses	13	309	1,499
Net (loss) profit for the year before zakat		**(2,367)**	**6,253**
Zakat	21	(22,464)	(17,926)
Net (loss) for the year		**(24,831)**	**(11,673)**
Other comprehensive income:			
Items that will not be re-classified within profits or losses:			
Actuarial (losses) of re-measurement of employees' defined benefit Obligations	17	(1,113)	(221)
Items that will be re-classified within profits or losses			
Reserve of valuation of investments at fair value		8,823	(2,861)
Other comprehensive income (loss) items		**7,710**	**(3,082)**
Comprehensive income for the year		**(17,121)**	**(14,755)**
Net (loss) for the year attributable to:			
Company's shareholders		**(24,831)**	**(11,673)**
Net (loss) for the year		**(24,831)**	**(11,673)**
Comprehensive income for the year attributable to:			
Company's shareholders		**(17,121)**	**(14,755)**
Comprehensive income for the year		**(17,121)**	**(14,755)**
Basic and diluted earnings attributable to shareholders of net (loss) for the year in Saudi Riyals	28	**(0.31)**	**(0.14)**

Chief Financial Officer | **Authorized BOD's Member** | **Chief Executive Officer**

The accompanying notes (1) to (36) form an integral part of these consolidated financial statements

Consolidated statement of changes in shareholders' equity

(All amounts in thousands Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Reserve for valuation of investments at FVOCI	Retained earnings	Total shareholders' equity
For the year ended December 31, 2019					
Balance at January1, 2019 prior to application of IFRS 16	812,500	241,429	(10,500)	141,396	1,184,825
Impact of application of IFRS16	-	-	-	(932)	(932)
Balance at January 1, 2019	**812,500**	**241,429**	**(10,500)**	**140,464**	**1,183,893**
Dividends to shareholders	-	-	-	(20,312)	(20,312)
Net (loss) for the year	-	-	-	(11,673)	(11,673)
Other comprehensive loss for the year	-	-	(2,861)	(221)	(3,082)
Net (loss)for the year and other comprehensive income	-	-	(2,861)	(11,894)	(14,755)
Balance at December 31, 2019	**812,500**	**241,429**	**(13,361)**	**108,258**	**1,148,826**
For the year ended December 31, 2020					
Balance at January 1, 2020	812,500	241,429	(13,361)	108,258	1,148,826
Net (loss) for the year	-	-	-	(24,831)	(24,831)
Other comprehensive income/(loss) for the year	-	-	8,823	(1,113)	7,710
Net (loss) for the year and other comprehensive income	-	-	8,823	(25,944)	(17,121)
Balance at December 31, 2020	**812,500**	**241,429**	**(4,538)**	**82,314**	**1,131,705**

Chief Financial Officer | Authorized BOD's Member | Chief Executive Officer

The accompanying notes (1) to (36) form an integral part of these consolidated financial statements

AL ABDULLATIF INDUSTERIAL INVESTMENT COMPANY

(A SAUDI JOINT STOCK COMPANY)

Consolidated statement of cash flows

(All amounts in thousands Saudi Riyals unless otherwise stated)

		For the year ended December 31,	
		2020	2019
Cash flows from operating activities:			
Net (loss) for the year		(24,831)	(11,673)
Adjustments for Net (loss):			
Depreciation of property, plant and equipment		49,566	53,512
Gains on sale of property, plant and equipment		(153)	(102)
Depreciation of Right–of-use assets		1,590	1,590
Profits of valuation of investments at fair value through profits or losses (FVTPL)		(309)	(1,499)
Bank facilities 'interest		2,763	4,938
Leases interest		967	1,005
Impairment of trade receivables		5,000	2,100
Employees' defined benefits obligations		4,243	3,243
Provisions reversed		(69)	(398)
Zakat		22,464	17,926
		61,231	**70,642**
Changes during the year in :			
Inventory		39,343	6,650
Trade receivables		9,906	(7,444)
Due from related parties		(346)	3,342
Prepaid expenses and other debit balances		13,102	(4,169)
Trade payables		(4,855)	2,060
Due to related parties		185	-
Accrued expenses and other payable balances		(5,731)	(15)
Dividends payable		-	(123)
Provision for zakat paid		(18,826)	(17,719)
Employees' defined benefits obligations - paid		(3,313)	(2,684)
Net cash flows provided by operating activities		**90,696**	**50,540**
Cash flows from investing activities			
Purchase of property , plant and equipment		(6,914)	(12,451)
Proceeds from sale of property, plant and equipment		153	104
Purchase of investments at fair value through other comprehensive income		(1,575)	-
Purchase of investments at FVTPL		-	(14,759)
Proceeds from sale of investments at FVTPL		7,817	-
Net cash flows (used in) investing activities		**(519)**	**(27,106)**
Cash flows from financing activities			
Dividends to shareholders		-	(20,312)
Finance proceeds obtained from banks - credit facilities		66,293	284,510
Finance repayment to banks - credit facilities paid		(147,107)	(294,400)
Leases obligations –paid		(2,395)	(2,242)
Net cash flows (used in) financing activities		**(83,209)**	**(32,444)**
Net increase (decrease) in cash and cash equivalents		6,968	(9,010)
Cash and cash equivalents at beginning of the year		69,683	78,693
Cash and cash equivalents at end of year	**14**	**76,651**	**69,683**

Chief Financial Officer **Authorized BOD's Member** **Chief Executive Officer**

The accompanying notes (1) to (36) form an integral part of these consolidated financial statements

Notes to the consolidated financial statements

(All amounts in thousands Saudi Riyals unless otherwise stated)

1. General

Al Abdullatif Industrial Investment Company ("the company" is a Saudi joint-stock company incorporated in accordance with the Saudi Companies Act - pursuant to Ministerial Resolution No. 3120 dated 23/10/1427H corresponding to 14/11/2006 and Ministerial Resolution No. 188 dated 27/7/1427H corresponding to 17/1/ 2007, upon which the company got the approval to convert from a limited liability company to a Saudi joint stock company, and it is registered in the commercial registration at Riyadh under No. 1010073685 and dated 26/2/1410H corresponding to 26/9/1989 valid until 25/2/1447H corresponding to 19/8/2025 . Its main office address is: Riyadh, PO Box 859, and Postal Code 11421.

1.2. Main activities practiced by the company and its branches

Carpet industry, including (prayer and travel carpets), carpets manufacturing under industrial license No. 411 dated 13/2/1439H.

1.3. The consolidated financial statements as at December 31, 2020 include the financial statements of the parent company and the following subsidiaries, collectively referred to "the group":

Name of subsidiary	Type	Company's Headquarter	Main activity	Shareholding %
National Spinning Company	Limited liability	KSA	Yarn production	100%
Eastern Textile Company	Limited liability	KSA	Polycarbonate filament production	100%
Western Textile Company	Limited liability	KSA	Polycarbonate filament production	100%
Adva company for blankets	Limited liability	KSA	Blanket production	100%
Nadine Arabian Color Company	Limited liability	KSA	Plastic pipe production	100%
Shahd Paper Products Factory	Limited liability	KSA	Plastic colorants production	100%
First Carpet Company	Limited liability	KSA	Carpet lining production	100%
Retaj Al Wasil Company	Limited liability	KSA	Employees catering and transportation services	100%
Abdul Latif Training Institute	Limited liability	KSA	Training services	100%

1.4. The group's fiscal year starts from the January1st of each calendar year and ends at end of December of the same year. The presented financial statements for the year ended December 31, 2020 compared to the year ended December 31, 2019.

2. Basis of preparation

2.1. Statement of compliance

These consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) adopted in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by SOCPA.

2.2. Basis for consolidation of financial statements

The consolidated financial statements include the financial statements of the parent company and all subsidiaries and they are collectively referred to as the "group", the consolidated financial statements present financial information about the Group as a single economic entity at the same reporting date for the parent company, using consistent accounting policies.

Notes to the consolidated financial statements
(All amounts in thousands Saudi Riyals unless otherwise stated)

2. Basis of preparation... (continued)

2.2. Basis for consolidation of financial statements... (continued)

Subsidiaries are those entities that are subject to the control of the company, and the control is the authority to control financial policies for the purpose of obtaining benefits from its activities. It is assumed that the company has control over the subsidiary when the company owns, directly or indirectly, more than half of the voting power in the investee, except for those exceptional cases in which it is clearly shown that that ownership does not represent control, and control also exists when the company owns half or less than half of the voting power of the investee, but it has other power that enables it to control financial and operational policy for that entity.

The assets, liabilities and results of the subsidiaries' businesses are fully consolidated from the date of acquisition, the date on which control is transferred to the group, and the consolidation process continues until the date that control ceases.

The group applies the acquisition method to account for business combinations.

All transactions and balances between the companies of the group, including income, expenses, unrealized profits and losses and dividends have been eliminated

2.3. Basis of measurement

The consolidated financial statements have been prepared in accordance with the accrual basis of accounting and the going concern concept, and on the basis of the historical cost principle except for financial assets that are measured at fair value and financial liabilities that are measured at the present value of future liabilities projections using the projected unit credit method.

2.4. Functional and presentation currency

These consolidated financial statements are presented in Saudi Arabian Riyals ("SR") which is the functional and presentation currency of the group. All figures are rounded to nearest thousand Saudi Riyal unless otherwise stated.

2.5. Use of judgments, estimates and assumptions

The preparation of these consolidated financial statements requires management to make judgment, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and disclosures of contingent liabilities at the reporting date. Although these estimates are based on the best current information and indicators available to management, the final actual results may differ from these estimates.

These estimates and assumptions are reviewed on an ongoing basis, and the effects arising from adjustment of the accounting estimates are recognized in the period in which such adjustment is made and the subsequent periods

Estimates and assumptions in particular represent application of accounting policies that have a significant impact on the amounts reported in the financial statements.

The most significant accounting judgments, estimates and assumptions

2.5.1. Judgments

The following is an explanation to the significant judgments when applying the accounting policies that have a material impact on the amounts presented in the financial statements and the notes thereon:

2. Basis of preparation... (continued)

2.5. Use of judgments, estimates and assumptions...(continued)

2.5.1. Judgments...(continued)

Fulfillment of performance obligations

The Group evaluates each of its contracts with clients to determine whether performance obligations have been met over time or at specified time in order to determine the appropriate method for recording revenues under the provisions of the relevant laws and regulations.

Determination of transactions' prices

The group determines transaction prices in relation to each of its contracts with clients, and when making such judgment, it assesses the impact of any variable consideration in the contract as a result of discounts or fines and existence of any substantial financing component in the contract, or any non-monetary consideration in the contract.

Classification of investment properties

The group determines whether the property qualifies as investment properties under IAS 40 (Investment properties). In making such judgment, the group considers whether the property generates significant cash flows and separate of other property and equipment.

The following notes include information about other judgments:

- Note (3.3) classification of leases

2.5.2. Estimates and assumptions

The following is an explanation of information related to assumptions and estimates of uncertainty that have a material impact on the amounts presented in the consolidated financial statements and their notes:

Going concern concept

The consolidated financial statements have been prepared on a going concern basis. Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the necessary resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the group's ability to continue as a going concern.

Useful lives of property, plant and equipment

The management determines the estimated useful lives of property, plant and equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear.

Management reviews the residual useful lives annually to verify that it reflects the expected benefit to be obtained. If, it differs from previous estimates, changes in depreciation expense in the current and future periods are adjusted - if any.

2. Basis of preparation... (continued)

2.5. Use of judgments, estimates and assumptions... (continued)

2.5.2. Estimates and assumptions... (continued)

Measurement of fair value of financial instruments

When it is not possible to measure the fair values of the financial assets and financial liabilities reported in the statement of financial position on a basis for prices traded in active markets, their fair value is determined by using valuation methods including the discounted cash flows model. Inputs to these models are taken from observable markets where possible and when not feasible, it requires a degree of assumption to determine the fair value which may include assumptions related to liquidity risk, credit risk and price changes risk.

Changes on assumptions related to these factors can affect the fair value of financial instruments. The potential price arising from the business combination is valued at fair value on the date of the acquisition as part of a business combination. When the price meets the definition of a financial liability, it is subsequently re-measured at fair value at each reporting date. Determination of fair value is based on discounted cash flows. Key assumptions take into consideration the probability of meeting each performance objective and the discount factor.

Embedded interest rate for leases

The group cannot easily determine the embedded interest rate in all leases, and therefore it uses the borrowing rate to measure lease obligations. The borrowing rate is the interest rate that the company must pay in order to borrow for a similar period with a similar guarantee and the amounts necessary to obtain an asset of similar value to the right–of-use asset in a similar economic environment. The group estimates the borrowing rate by using observable data (such as: interest rates in the market) that are available, and making some estimates for the group when necessary.

Provision for expected credit losses (ECL) on trade receivables

The Group uses a matrix to calculate ECL for trade receivables. This matrix is based initially on the historical default rates monitored by the group. At each reporting date, the historical observed default rates are updated and changes in future estimates are analyzed. The evaluation of the correlation between historical observed default rates, projected economic conditions and expected credit losses is a substantial estimate. The amount of expected credit losses is very sensitive to changes in the expected economic circumstances and conditions.

Impairment of non-financial assets

(Except for inventory, investment properties and goodwill - if any - which are separately assessed for impairment. Management at each reporting date reviews the carrying values of other non-financial assets to determine if there is any impairment indicator. In the event of impairment of those assets, and in the event of such an indication, the recoverable value is estimated and the book value is reduced thereto and the impairment loss of those assets is recognized and charged to the statement of income

The recoverable amount is measured using the higher of fair value of the asset less the cost to sell it or the expected present value of the cash flows according to the discount rate,

Indications of impairment of a non-financial asset may be information that a material impairment has occurred to the market value of the asset is more than expected as a result of normal use or the availability of evidence of obsolescence, damage or deterioration of its expected economic performance whether in its operating results or in the expected cash flows from it.

Notes to the consolidated financial statements
(All amounts in thousands Saudi Riyals unless otherwise stated)

2. Basis of preparation... (continued)

2.5. Use of judgments, estimates and assumptions... (continued)

2.5.2. Estimates and assumptions... (continued)

Impairment of non-financial assets... (continued)

When there are indications that a recognized impairment loss in prior periods may no longer exist or have decreased, impairment loss is reversed only to the extent that it does not exceed the previously recognized impairment loss.

The following notes include information on assumptions and other estimates of uncertainty:

- Note (3.6) Impairment of inventory
- Note (3.12) Measurement of employees' defined benefit obligations.
- Note (3.14) Provisions
- Note (3.17.1) Impairment of financial assets measured at cost or amortized cost

3. Summary of significant accounting policies

The significant accounting policies set of below have been applied consistently to all periods presented in these financial statements .

3.1. Current versus non-current classification

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

Assets

An asset is classified as current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized or sold 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

All other assets are classified as non-current.

Liabilities

A liability is current when it is:

- 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.

All other liabilities are classified as non-current.

Notes to the consolidated financial statements
(All amounts in thousands Saudi Riyals unless otherwise stated)

3. Summary of significant accounting policies...(continued)

3.2. Property, plant and equipment

A) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and the accumulated impairment loss (if any).

The cost of a self-constructed asset includes the cost of materials, direct labor and any other costs directly attributable to bringing this asset into a condition for its intended use, and the costs of dismantling and removing the elements and repairing the site in which it is located.

When the significant parts of an item of property, plant and equipment have different useful lives, they are counted as separate items (major components) of property, plant and equipment.

De-recognition

De-recognition of an item of property, plant and equipment is made when it is sold or when future economic benefits are not expected to flow from its use or sale.

The gains and losses resulting from the disposal of an item of property, plant and equipment are determined by comparing the proceeds of disposal with the book value of the disposed of property, plant and equipment, and is recognized on a net basis, in the statement of income.

Subsequent acquisition costs

The cost of replacing a component of an item of property, plant and equipment, renovations and major improvements is included in the carrying amount of the item when it increases materially from its expected useful life and there is a possibility that future economic benefits will flow into the group and that its cost can be measured reliably and is carried value is de-recognized for the replaced component.

Expenses for the normal maintenance and repairs of property, plant and equipment are included in the statement of income when incurred

Depreciation

Depreciation is based on the cost of the assets less their residual value. The significant components of individual assets are estimated, and if a component has a useful life that differs from the remaining of that asset, that component is depreciated separately.

Depreciation is recorded in the statement of income using the straight-line method over the expected useful life of each component of an item of property, plant and equipment. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted as appropriate. Depreciation of the asset starts when it is available for use, and its depreciation stops on the earlier date in which the asset is classified as held for sale or is de-recognized.

Notes to the consolidated financial statements
(All amounts in thousands Saudi Riyals unless otherwise stated)

3. Summary of significant accounting policies… (continued)

3.2. Property, plant and equipment… (continued)

Depreciation… (continued)

The following are the estimated useful lives:

Buildings and roads	10 to 13.3 years
Motor vehicles	4 years
Plant, equipment and main spare parts	12 – 20 years (note 32)
Furniture, furnishings, and office equipment	6.7 years

* Main spare parts are depreciated after deducting used over 8 years useful life.

3.3. Capital work- in- progress

Capital work-in-progress at the end of the year includes some assets that have been acquired but are not ready for their intended use. Capital work-in-progress is recorded at cost less any recorded impairment. These assets are transferred to the relevant asset categories and are depreciated when ready for use.

3.4. Leases

Determining whether the agreement is (or its content) is a lease based on the substance of the agreement. The agreement is considered a lease or contains a lease if it gives the right to control the use of an asset for a period of time in exchange for some consideration.

A single model of recognition and measurement is applied to all leases, except for short-term or impaired leases, and the right to use assets and lease obligations are recognized at the contract commencement date.

Right-of-use assets

Right-to-use assets is measured at cost which consists of the followings:

- The initial measurement amount for the leases' obligations,
- Any lease payments made on or before the lease commencement date less any lease incentives received,
- Any initial direct costs, and
- Renewal costs.

Right-to-use assets is depreciated using the straight-line method over the shorter expected useful life or the lease term.

Leases' obligations

Lease obligations are initially measured at the present value of unpaid lease payments on the lease commencement date, which includes:

- Fixed payments (including fixed payments in substance) less any debit rent incentives.
- Variable rental payments that are indicators or rate based.
- Amounts expected to be paid by the lessee under residual value guarantees.
- The exercise price of a call option if the lessee is reasonably sure of exercising the option.
- Fines for terminating the lease, if the lease term reflects the lessee's exercise of that option.

3. Summary of significant accounting policies... (continued)

3.4. Leases... (continued)

Right-of-use assets... (continued)

Lease payments are discounted using the incremental borrowing rate, which represents the price that the lessee will pay to borrow the funds necessary to obtain an asset at a similar value in a similar economic environment with similar terms and conditions.

Each rental payment is distributed between the finance cost and the reduction of the existing obligation, and the finance cost is charged to profit or loss over the lease period so that a constant periodic interest rate is achieved on the remaining balance of the obligation for each period.

Short term or impaired leases

Short-term leases are leases with a lease period of 12 months or less. Payments related to short-term leases and impaired leases are recognized on a straight-line basis as an expense in the statement of profit or loss.

3.5. Investment properties

Investment properties are the real estate that are acquired for the purpose of acquiring rental income or capital development, or both together, in addition to those acquired for unspecified future uses as investment properties but not for sale within the normal business cycle and uses in the production or supply of goods or services for administrative purposes.

The investment properties acquired upon initial recognition are measured at cost (including transaction costs), upon subsequent measurement - the group uses the cost model in accordance with the mandatory decision to the joint stock companies issued by the Capital Market Authority, which expires at the end of 2021, and the value is also disclosed. The fair value of investment properties is in accordance with the disclosure requirements of International Accounting Standard No. 40, and the fair value is determined based on an annual evaluation by an accredited external valuer by applying the recommended valuation method in accordance with international and internal valuation standards.

Investment properties are discontinued when they are disposed of or permanently withdrawn from use, and when no future economic benefits are expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is included in the consolidated statement of profit or loss for the year in which the recognition is discontinued.

3.6. Inventory

Inventory is measured at the lower of cost or net realizable value, and the cost is determined according to the following:

Raw materials: The cost includes the costs of purchasing the materials and all the expenses incurred in bringing them to their current location. The cost is measured using the weighted average method.

Production - In-progress and finished production: It includes the cost of the materials used in production in addition to the cost of direct labor and all other direct and indirect expenses incurred related to transfer of the product and bringing it to its location and current state.

Net realizable value is the estimated selling price in the ordinary course of business, less any expected costs to complete the product and the estimated selling costs.

3. Summary of significant accounting policies... (continued)

3.6. Inventory... (continued)

Impairment of inventory

At each reporting date an assessment is made to determine whether any of the inventory items have impaired by comparing the carrying amount of each inventory item (or group of similar items) with its selling price less the cost of completing and selling it. If the net selling price is less than the carrying amount, the inventory impairment loss is recognized.

3.7. Transactions with related parties

Transactions with related parties include transfer of resources, services, obligations, or financing between the group and that related party, regardless of whether or not those transactions are carried out on terms equivalent to those that prevail in transactions that take place on the basis of free competition or not.

A person is considered related to the group if that person, or is close to that person's family:

A- A member of the senior management personnel * in the group; or
B- Has joint control or control over the group; or
C- Has an important influence on the group's decisions and directions.

* Senior management personnel are those persons, who have the authority and responsibility to plan, direct and control the activities of the group, directly or indirectly, including any manager, whether executive or otherwise.

An entity is considered related to the company if:

A - The enterprise and the group are members of the same group or are jointly owned by owners; or
B- The entity is an associate or owned by the group; or
C- The fact that the entity is subject to the control of the group, or vice versa, or the entity and the group are subject to joint control.

3.8. Accounts receivable

Accounts receivable are initially recognized at fair value, and are subsequently measured at amortized cost using the effective interest rate, less any impairment losses on receivables.

Trade receivables result from the company providing its services to clients on credit. The Company's management does not impose any commissions or interest on trade receivables.

3.9. Cash and cash equivalents

Cash and cash equivalents in the statement of financial position include cash at banks, cash on hand, and short-term deposits maturity of which is three months or less. It is subject to insignificant risk of change in value.

3.10. Statement of cash flows

The statement of cash flows is prepared according to the indirect method.

For the purposes of preparing the statement of cash flows, cash and cash equivalents consist of bank balances, cash on hand and short-term deposits, less existing overdraft accounts, which are an integral part of the cash group's management.

3. Summary of significant accounting policies... (continued)

3.11. Accounts payable and accrued expenses

Accounts payable and accrued expenses are recognized for the obligations that must be paid in the future for the materials and services obtained, whether the suppliers are billed or not.

Trade payables are obligations that a company has incurred during the normal business cycle on the basis of normal credit terms and they are non- bearing interest.

3.12. Employees' benefits

Defined benefit programs (end of service benefits for employees)

The company applies a defined benefit plan to reward the end of service for its employees in accordance with the requirements of the labor law in the Kingdom of Saudi Arabia. Payments under this scheme are based on employees 'final salaries and allowances and their years of service accumulated on the date they ceased their employment. As it is known in the conditions contained in the labor laws in the Kingdom of Saudi Arabia, employees' end of service benefit plans are unfunded plans whereby the concerned entities fulfill their obligation to pay benefits when they are due.

The defined benefit obligation is re-measured periodically by an actuarial expert using the projected unit credit method.

The liability amount is calculated on the basis of the present value of the estimated future cash outflows discounted at the discount rate used. The defined benefit obligation costs are calculated using the actuarial defined retirement costs at the end of the previous year, adjusted for significant market fluctuations and for any significant one-time events such as program adjustments, labor curtailment and reimbursements.

Actuarial gains and losses arising from re-measurement of the net defined benefit plan obligations are included in the statement of other comprehensive income. The company calculates the interest expense by applying the discount rate to measure the net defined benefit obligation. The net interest expense and other expenses related to the defined benefit program are recorded in the statement of profit or loss.

Employees' short term benefits

An obligation is recognized for benefits payable to employees related to wages and salaries, including non-monetary benefits, annual leaves, sick leaves, travel tickets and other allowances during the period in which the related service is provided, as well as the undiscounted amount of the benefits expected to be paid for that service on the basis that related service performed. Obligations recognized for short-term employee benefits are measured at the undiscounted amount expected to be paid for the service rendered.

3.13. Zakat and tax

Zakat:

The group is subject to the regulations for zakat, which is determined according to the regulation and instructions issued by the General Authority for Zakat and Tax (GAZT) and in accordance with the Zakat standard.

Zakat is calculated on the higher Zakat base that includes the zakat income or the adjusted net income, which is calculated through the consolidated financial statements of the parent company and its subsidiaries, according to which a consolidated return is filed for the group in accordance with the regulation and instructions issued by the GAZT. The share of each subsidiary of the Zakat payable is determined on an arbitrary basis.

3. Summary of significant accounting policies... (continued)

3.13. Zakat and tax...(continued)

Withholding tax

The group withholds taxes on some transactions with non-resident parties in the Kingdom of Saudi Arabia, as required in accordance with the tax regulations in force in the Kingdom of Saudi Arabia. Withholding tax related to foreign payments is recorded as short-term liabilities.

Value added tax (VAT)

The net amount of VAT recoverable from, or payable to the General Authority for Zakat and Income is included as part of receivables or payables in the statement of financial position.

3.14. Provisions

Provisions are recognized when the group has a present (legal or constructive) obligation arising from a previous event and there is a probability that the group will be required to pay this obligation through cash flows of resources outside the group that embody economic benefits and it is possible to make a reliable estimate of the amount of the obligation. Where the Group expects to pay some or all of the provision - for example - under an insurance contract, the payment is included as a separate asset, but only when the payment is actually certain. The expense relating to the provision is presented in the statement of profit or loss less any payment.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of external resources, including economic benefits, will be required to settle the obligation, the provision is reversed.

Costs of discontinuation of operations (obligations related to asset removal)

A provision for obligation to discontinuation of operations is recognized when the Group assumes responsibility for restoration of work or land rehabilitation, the degree of discontinuation of required operations and related costs depends on the requirements of current laws and regulations.

Costs included in the provision include all liabilities for decommissioning of operations that are expected to occur over the life of the assets. The provision for stopping operations is deducted to its present value and capitalized as part of the assets under the item of property, plant and equipment, and then depreciated as an expense over the expected useful lives of those assets.

3.15. Contingent liabilities and assets

Contingent liabilities are liabilities that are likely to arise from past events and whose existence is confirmed only by the occurrence or non-occurrence of one or more uncertain future events that do not fall within the group's full control. Or a present obligation that is not recognized because it is unlikely that an outflow of resources will be required to settle the obligation. In the event that the amount of the obligation cannot be measured with sufficient reliability, the group does not recognize the contingent liabilities but rather discloses them in the financial statements.

Contingent assets are not recognized in the financial statements, but are disclosed when economic benefits are likely to be realized.

Notes to the consolidated financial statements
(All amounts in thousands Saudi Riyals unless otherwise stated)

3. Summary of significant accounting policies... (continued)

3.16. Foreign currencies

Transactions in foreign currencies during the year are translated into Saudi riyals according to the exchange rates prevailing at the time of the transaction, and the assets and liabilities balances recorded in foreign currencies at the date of the financial statements are translated into Saudi riyals at the exchange rates prevailing on that date. Profits and losses resulting from transfers are included in the statement of income.

3.17. Financial instruments

A financial instrument is any contract that gives rise to a financial asset for one entity and a financial liability or as an instrument of equity for another entity. Financial assets and financial liabilities are recognized and measured in accordance with the provisions for measurement, evidence, and recognition requirements contained in the International Financial Reporting Standard No. (9).

The following are details of the accounting policies related to this:

3.17.1. Financial assets

Initial recognition and measurement

Trade receivables and deposits are recorded on the date they arise, and all other financial assets are recognized on the trade date in which the group becomes a party to the contractual provisions of the instrument.

Financial assets are measured upon initial recognition at the transaction price that is attributable to the acquisition of the financial asset, including the transaction cost, excluding the financial assets that are subsequently measured at fair value through the statement of income. If the arrangement is in fact a financing transaction, then the financial asset is recognized at the present value of future payments discounted at the market interest rate.

Classification and subsequent measurement

IFRS 9 includes three main classification categories of financial assets: financial assets that are measured at amortized cost, assets that are measured at fair value through other comprehensive income, and assets that are measured at fair value through the statement of profit or loss.

Under IFRS 9, the financial derivatives incorporated in contracts in which the underlying instrument is a financial asset within the scope of the standard is not subdivided. Rather, the hybrid financial instrument as a whole is evaluated for the purpose of classifying it.

The subsequent measurement of financial assets depends on their classification as shown below:

Financial assets measured at amortized cost

These assets are measured upon initial recognition of fair value in addition to transaction costs directly related to the acquisition or issue of the financial asset. After initial recognition it is measured at amortized cost using the effective interest method.

3. Summary of significant accounting policies… (continued)

3.17. Financial instruments… (continued)

3.17.1. Financial assets… (continued)

Financial assets at fair value through other comprehensive income:

Upon initial recognition, the company may perform irrevocable tests (on an instrument-by-instrument basis) to assign investments in equity instruments at FVTOCI. It is not permitted to designate fair value through other comprehensive income if the equity investment is held for trading or if it is a corresponding consideration recognized by the acquirer in combining businesses to which IFRS 3 applies.

Investments in equity instruments are measured at FVOCI initially at fair value plus transaction costs. Thereafter, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investments revaluation reserve. The accumulated gain or loss will not be reclassified into profit or loss on disposal of equity investments, but rather will be transferred to retained earnings.

Dividends from these investments in equity instruments are recognized in profit or loss when the group's right to receive dividends is established unless the dividends clearly represent a recovery of part of the cost of the investment.

Financial assets at fair value through profit or loss:

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets classified upon initial recognition as fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. After its initial recognition it is re-measured at fair value.

De-recognition of financial assets

De-recognition of a financial asset is essentially made when:

The right to receive cash flows from the asset is expired, or

That the group transfers its rights to receive cash flows from the asset, or incurred the obligation to fully repay the cash flows received without material delay to a third party under a "transitory arrangement". Either it transferred substantially all the benefits and risks of the asset, or it did not transfer or retain substantially all the benefits and risks of the asset but transferred control of the asset.

Impairment of financial assets measured at cost or amortized cost

In accordance with International Financial Reporting Standard No. (9), an assessment is made at each reporting date for impairment of financial assets that are measured at amortized cost or fair value through other comprehensive income, except for investments in equity instruments as well as on contract assets. This is according to the expected future credit loss model which requires a great appreciation regarding how changes in economic factors affect expected credit loss models, which are determined on the basis of the likelihood, and loss provisions are measured according to one of the following basis:

12-month expected credit loss: This expected credit loss results from potential default events within 12 months after the reporting date.

3. Summary of significant accounting policies... (continued)
3.17. Financial instruments... (continued)
3.17.1. Financial assets... (continued)

Impairment of financial assets measured at cost or amortized cost...(continued)

Expected credit loss over the life of the financial instrument: it is the credit loss of financial assets significantly on the reporting date since its initial recognition, and the measurement of expected credit loss is applied over a period of 12 months. Significant credit risk in the event that the instrument is exposed to low credit risk at the reporting date.

However, the lifetime ECL is always applied to trade receivables and contract assets without any significant financing components. An entity may elect to apply this policy also for trade receivables and contract assets with significant financing components.

3.17.2. Financial liabilities

Initial measurement

Upon initial measurement, except for financial liabilities that are subsequently measured at FVTPL, financial liability is measured at the transaction price (including transaction costs), unless an arrangement is formed, in fact a financing transaction for the entity (for a financial liability) or the counterparty (for a financial asset) for the arrangement.

Upon initial measurement, financial liabilities that are subsequently measured at FVTPL, transaction costs are recognized through profit or loss.

The arrangement constitutes a financing transaction if the payment is deferred beyond the normal business terms.

If the arrangement constitutes a financing transaction, financial liability is measured at the present value of future payments discounted at the market interest rate for a similar debt instrument.

Trade payables that do not contain a significant financing component or maturity of which is less than 12 months are measured at the transaction price (invoice).

Classification and subsequent measurement

The financial liability is measured at the amortized cost using the effective interest method in the event that the conditions previously explained above are fulfilled. These financial liabilities are subsequently measured at the amortized cost using the effective interest rate method and the amortized cost is calculated by taking into consideration any discount or

premium over the acquisition and fees or costs that are deemed an integral part of the effective interest rate. The effective interest rate amortization is included within the financing income in the statement of profit or loss, and according to the International Financial Reporting Standard No. (9), the change in fair value related to changes in the credit risk of liabilities is presented in the statement of other comprehensive income, while the remainder of the change in fair value is presented in the statement of profit or loss.

Debt instruments that are classified as current liabilities are measured at the undiscounted cash or other monetary consideration that is expected to be paid unless an arrangement is formed in fact a financing transaction.

Notes to the consolidated financial statements
(All amounts in thousands Saudi Riyals unless otherwise stated)

3. Summary of significant accounting policies... (continued)
3.17. Financial instruments... (continued)
3.17.2. Financial liabilities... (continued)

De-recognition of financial liabilities

A financial liability is de-recognized when it is discharged, canceled or expired. When replacing an existing financial liability with another from the same lender under completely different terms or when the terms of an existing liability are materially modified, such replacement or modification is treated as canceling the entry for the original financial liability with the recognition of the new liability. The difference between the related carrying values is recorded in the statement of profit or loss.

3.17.3. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is shown in the statement of financial position only when there is a binding legal right and when the group has the intention to settle the assets and liabilities on a net basis to realize the assets and pay the liabilities simultaneously.

3.18. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, taking into account any commercial discounts, quick settlement discounts and volume discounts permitted by the group (if any).

Revenue includes only the total inflows of economic benefits received or receivable to which they relate. All amounts collected to the account of a third party, such as income taxes, and value added taxes, are excluded.

When the inflow of cash or cash equivalents is deferred and the agreement includes in substance a financing transaction, the fair value of the consideration is the present value of all future receipts that is determined using the implicit interest rate.

The implicit interest rate is the one that can be determined more clearly using the following:
- The prevailing rate for the same type of issued instruments having the same credit rating, or
- An interest rate that discounts the nominal value of the instrument to the current cash sale price of goods or services.

The difference between the present value of all future receipts and the nominal value of the consideration is recognized as interest income.

The group's revenues represent the followings:

Revenue from sale of goods:

Revenue arising from the sale of goods is recognized and an invoice is issued when all of the following conditions are met:
1. Transferring the significant risks and benefits of commodity ownership to the buyer.
2. The group does not retain the right of continuous administrative intervention to the degree usually associated with ownership nor the right to actual control over the sold goods.
3. The amount of revenue can be measured in a reliable manner.
4. It is probable that the economic benefits associated with the transaction will flow to the group.
5. The ability to measure the costs incurred or to be borne by the company in relation to the transaction in a reliable manner.

Notes to the consolidated financial statements
(All amounts in thousands Saudi Riyals unless otherwise stated)

3. Summary of significant accounting policies... (continued)

3.18. Revenue recognition... (continued)

Other income

Rental income from operating leases is recognized on a straight-line method over the lease periods, and is included in other income, and other income is recognized on an accrual basis.

3.19. Cost of revenue

The cost of revenue consists of production costs and direct industrial overheads. This includes the cost of raw materials used in production, direct labor and other capital costs and operating expenses associated with production. Cost of goods sold revenue consists of the direct costs and expenses associated with getting the goods ready for the client.

3.20. Cost of finance

The cost of finance consists of the interest and other costs that the entity incurs in connection with borrowing funds and obtaining financing facilities. All costs of finance are charged to profits or losses in the period they are incurred except for costs of finance related to owning or creating an asset that may need time to become ready for the purpose for which it is intended to be used. They are added to the cost of this asset until it is ready for use in accordance with IAS 23 (the company does not have any such costs to be capitalized in the current year).

3.21. Selling, marketing, general and administrative expenses

Selling and marketing expenses consist of the expenses incurred in selling and marketing the goods, which are not considered part of the cost of revenue.

General and administrative expenses consist of those that are directly related to the management and which are not considered product costs.

3.22. Board of directors' members remunerations

The total amounts paid to members of the Board of Directors include attendance of meeting fees, bonuses and expenses and are in accordance with, and within the limits, the requirements of the companies' Act, the guidelines of the Capital Market Authority, and the articles of association of the company.

3.23. Earnings per share

Basic earnings per share and diluted earnings per share (if any) are presented for ordinary shares, where basic earnings per share is calculated by dividing the profit or loss of ordinary shareholders of the group by the weighted average number of ordinary shares outstanding during the year, adjusted for the number of ordinary shares repurchased or issued during the year. Diluted earnings per share is calculated by adjusting the Group's reduced profit or loss of ordinary shareholders and the weighted average number of shares outstanding during the year for the effects of all the discounted ordinary shares that are likely to be issued.

3.24. Dividends

Dividends are recorded to the shareholders of the company upon approval of these dividends by the general assembly of shareholders in accordance with the Companies Act in the Kingdom of Saudi Arabia.

Notes to the consolidated financial statements
(All amounts in thousands Saudi Riyals unless otherwise stated)

3. Summary of significant accounting policies... (continued)

3.25. Operating segments

The business sector is a group of assets and operations associated with providing products or services that are subject to risks and returns that differ from those of other business sectors. The geographical sector includes providing products or services within a specific economic environment that are exposed to risks and returns that differ from those related to sectors operating in other economic environments.

4. Changes in significant accounting policies and the new standards

4.1. The new and amended standards that are applied but not have a material impact on the financial statements:

There are no new standards that have been applied, however, a number of amendments to the standards are effective as of January 01, 2020, but do not have a material impact on the financial statements of the company, and the following is a summary of the amendments applied by the company:

The standard –Interpretation	Description	Effective date
Conceptual framework	Amendments to the conceptual framework references in IFRSs	January1, 2020
IFRS 3	Amendments to the standard related to definition of business	January1, 2020
International Accounting Standard No. 1 and International Accounting Standard No. 8	Amendments to the standard related to the definition of materiality	January1, 2020
IFRS 16	Amendments to the standard related to fare reduction related to the pandemic of COVID-19	June 1, 2020

4.2. The new and amended standards those are not effective and not applied:

The standard –Interpretation	Description	Effective date
IFRS 17	Insurance contracts	January1, 2021
International Accounting Standard No.16	Amendments to the standard relating to property, plant and equipment - proceeds prior to intended use	January1, 2022
IFRS 3	Amendments to the standard related to reference to the conceptual framework in IFRSs issued in March 2018	January1, 2022
International Accounting Standard No. 37	Amendments to the standard related to ineffective contracts - the cost of fulfilling a contract	January1, 2022
Annual improvements to IFRSs for the 2018-2020 cycle	Annual Improvements include amendments to three standards: - International Financial Reporting Standard No. 1 "First-time application of IFRSs" - IFRS 9 "Financial Instruments" - IFRS 41 "Agriculture"	January1, 2022
IFRS 10 and IAS 28	Amendments to (sale or contribution of assets between the investor and its associate or joint venture)	Available for optional application Effective date not yet specified

Notes to the financial statements

(All amounts in thousands Saudi Riyals unless otherwise stated)

5. Property, plant and equipment-net

5.1. For the year ended December 31, 2020

	Land	Buildings and roads*	machinery, equipment and major spare parts	Motor vehicles	Furniture, furnishings and office appliances	Capital works in progress	Total
Cost:							
Balance at January 1, 2020	47,630	218,956	1,837,783	34,107	108,198	3,649	2,250,323
Additions during the year	-	-	5,663	92	824	335	6,914
Transfers	-	1,231	2,334	-	-	(3,565)	-
Disposals	-	-	-	(989)	-	-	(989)
Balance at December 31, 2020	**47,630**	**220,187**	**1,845,780**	**33,210**	**109,022**	**419**	**2,256,248**
Accumulated depreciation:							
Balance at January 1, 2020	-	190,657	1,581,466	33,589	97,713	-	1,903,425
Depreciation of the year	-	6,241	39,834	438	3,053	-	49,566
Disposals	-	-	-	(989)	-	-	(989)
Balance at December 31, 2020	**-**	**196,898**	**1,621,300**	**33,038**	**100,766**	**-**	**1,952,002**
Provision for accumulated impairment							
Balance at January 1, 2020	-	-	5,600	-	-	-	5,600
Balance at December 31, 2020	-	-	5,600	-	-	-	5,600
Net book value							
As at December 31, 2020	**47,630**	**23,289**	**218,880**	**172**	**8,256**	**419**	**298,646**

* Certain aforementioned buildings are built on land leased from the Saudi Authority for Industrial Cities and Technology Zones (MODON) in the Second Industrial City in Riyadh under a contract that expires on 08/06/1452H.

** Capital work-in-progress represents the value of buildings, plant and equipment in the construction and installation stages.

*** The book cost of depreciated assets and still in use as at December 31, 2020 SR (1,814,271 thousand), and December 31, 2019 SR (1,696,724 thousand).

Depreciation of property, plant and equipment

	31/1/2020	31/12/2019
Depreciation charged to cost of revenue (note 23)	49,560	53,368
Depreciation charged to selling and marketing expenses (note 24)	6	1441
	49,566	**53,512**

Notes to the financial statements
(All amounts in thousands Saudi Riyals unless otherwise stated)

5. Property, plant and equipment-net... (continued)

5.2. For the year ended December 31, 2019

	Land	Buildings and roads	machinery, equipment and major spare parts	Motor vehicles	Furniture, furnishings and office appliances	Capital works in progress	Total
Cost:							
Balance at January 1, 2019	47,630	218,560	1,822,750	33,855	106,465	8,800	2,238,060
Additions during the year	-	326	8,925	438	1,735	1,027	12,451
Transfers	-	70	6,108	-	-	(6,178)	-
Disposals	-	-	-	(186)	(2)	-	(188)
Balance at December 31, 2019	**47,630**	**218,956**	**1,837,783**	**34,107**	**108,198**	**3,649**	**2,250,323**
Accumulated depreciation:							
Balance at January 1, 2019	-	183,766	1,539,014	32,957	94,362	-	1,850,099
Depreciation of the year	-	6,891	42,452	818	3,351	-	53,512
Disposals	-	-	-	(186)	-	-	(186)
Balance at December 31, 2019	**-**	**190,657**	**1,581,466**	**33,589**	**97,713**	**-**	**1,903,425**
Provision for accumulated impairment							
Balance at January 1, 2019	-	-	5,600	-	-	-	5,600
Balance at December 31, 2019	**-**	**-**	**5,600**	**-**	**-**	**-**	**5,600**
Net book value							
As at December 31, 2019	**47,630**	**28,299**	**250,717**	**518**	**10,485**	**2,649**	**341,298**

(All amounts in thousands Saudi Riyals unless otherwise stated)

6. Investment properties

	31/12/2020	31/12/2019
Land*	50,000	50,000

- * Investment properties represent real estate contribution in a plot of land in Madinah (for the purpose of obtaining revenue or capital profit) at a rate of 14.58% under land sharing contract between the company and one of the local investment properties companies in which name the title deed was registered. It is also entitled to sell or dispose of the land without referring to the company, and in that case the sale value and profits are distributed according to the participation percentage immediately after the sale.

The fair value as at December 31, 2020, amounted to SR 57,140 thousand (2019:SR 55,354 thousand) according to the evaluation of the company's share in this land by (Adwa Al-Arab Company License No. 1210000846) as accredited valuer as at December 31, 2020 and 2019.

7. Leases

7.1. Right-of-use assets - net

Right- of- use land

	31/12/2020	31/12/2019
Cost:		
Balance at the beginning of year	20,978	20,978
Balance at the end of year	**20,978**	**20,978**
Accumulated depreciation:		
Balance at beginning of year	1,590	-
Depreciation of the year (note 23)	1,590	1,590
Balance at end of year	**3,180**	**1,590**
Net book value at end of the year	**17,798**	**19,388**

7.2. Leases' obligations

	31/12/2020	31/12/2019
Balance at the beginning of year	19,761	20,998
Less: paid during the year	(2,395)	(2,242)
Charged to the cost of finance (note 27)	967	1,005
Present value of obligations	**18,333**	**19,761**

Lease obligations are presented in the statement of financial position according to the current portion - within the current liabilities (represent the part payable to be paid within a year) and the non-current portion - within the non-current liabilities (and the remainder of the liability less the current portion) as follows: -

	31/12/2020	31/12/2019
7.2.1. Leases obligations – Current portion	1,202	1,293
7.2.2. Leases obligations – Non-current portion	17,131	18,468
	18,333	**19,761**

Notes to the financial statements

(All amounts in thousands Saudi Riyals unless otherwise stated)

8. Investments at fair value through other comprehensive income (FVTOCI)

Unquoted investments	Legal form	Headquarter	Shareholding %	31/12/2020	31/12/2019
Red Sea Cables Company *	A Saudi closed joint stock company	Riyadh	27%	45,650	46,300
Al Reef Sugar Refinery Company **	A Saudi closed joint stock company	Jeddah	15%	37,125	26,077
				82,775	**72,377**

Movement of changes in fair value was as follows:

	31/12/2020	31/12/2019
Balance at the beginning of year	72,377	75,238
Additions during the year	1,575	-
Profits of revaluation of investments at fair value	8,823	(2,861)
Fair value at end of the year	**82,775**	**72,377**

* The cost of the investment in the Red Sea Cables Company amounted to SR 50 million.

** The cost of investment in Al Reef Sugar Refinery Company amounted to SR 45 million.

*** During the year, the group injected an amount of SR 1,575 thousand, which represents 50% payment of the group's share in the increase of share capital of Al Reef Sugar Refinery Company, which is determined at 7% of the company's capital value in accordance with the decision of the Board of Directors of Al Reef Sugar Refinery Company dated 28/2/1442H, corresponding to 14/10/2020.

The Group does not have any control or significant influence over participation in the financial and operational decisions of the investees.

The aforementioned fair value is evaluated as at December 31, 2020 by an accredited valuer (Office of the Value Expert for Valuation of Economic Enterprises – License No. 3912000003). The fair value reserve has been recognized through other comprehensive income.

Note 31 includes information on fair value.

(All amounts in thousands Saudi Riyals unless otherwise stated)

9. Inventory - net

	31/12/2020	31/12/2019
Raw materials	216,723	261,130
Production in progress	18,390	17,350
Finished production	105,158	101,134
	340,271	**379,614**
Less: Provision for impairment of inventory (9.1)	(4,604)	(4,673)
	335,667	**374,941**

9.1. Movement in impairment of inventory

	31/12/2020	31/12/2019
Balance at beginning of the year	4,673	5,071
Provision no longer required (note 26)	(69)	(398)
Balance at end of the year	**4,604**	**4,673**

Provision for impairment of inventory is based on the nature, life and expiry date of the inventory, sales forecasts based on past trends, and other qualitative and technical factors.

10. Trade receivables - net

	31/12/2020	31/12/2019
Trade receivables *	361,586	371,492
Provision for impaiment of trade receivables ** (note 10.1)	(15,401)	(10,401)
	346,185	**361,091**

10.1. Movement of provision for impairment of trade receivables**

	31/12/2020	31/12/2019
Balance at beginning of the year	10,401	8,301
Provided during the year (note 25)	5,000	2,100
Balance at end of the year	**15,401**	**10,401**

The following analysis for aging of trade receivables as at December 31:

	31/12/2020	31/12/2019
Until two months	101,701	81,764
From two months to three months	38,140	43,883
More than three months	221,745	245,845
	361,586	**371,492**

* The Group does not impose any fines or interests on delayed payments from clients.

** Provision for impairment of trade receivables has been calculated based on their aging and date.

(All amounts in thousands Saudi Riyals unless otherwise stated)

11. Transactions with related parties

11.1. Due from related parties

	Nature of Relationship	31/12/2020	31/12/2019
Al Abdullatif Furniture Company	Related to one of Board of Directors members	38,798	38,452

11.2. Due to related parties

	Nature of Relationship	31/12/2020	31/12/2019
Natural Gas Distribution Company	Related to one of Board of Directors members	185	-

11.3. Significant transactions with related parties

	Type and size of transactions with related parties		
	Sales and services rendered	Purchases and services received	Payments and repayments
Al Abdullatif Furniture Company	33,913	(366)	(33,201)
Natural Gas Distribution Company	-	(1,740)	1,555

The Group evaluates the impairment of amounts receivable from related parties through reviewing the financial position of related parties and markets in which they operate at each financial period. The management believes that there are no indications of impairment of balance payable as at December 31, 2020.

11.4. Key management personnel compensation

	31/12/2020	31/12/2019
Salaries and benefits of executive Board of Directors members	896	988
Board of Directors members remunerations	400	400
Allowance for attendance of Board of Directors' meetings	42	54
	1,338	1,442

The General Assembly has resolved in its meeting dated 10/06/2020 (corresponding to 18/10/1441H) to pay sum of SR 400 thousands to Board of Directors members as a remuneration for the financial year ended 31/12/2019.

12. Prepaid expenses and other debit balances

	31/12/2020	31/12/2019
Advances to suppliers	9,477	16,545
Prepaid insurance expenses	5,110	5,768
Visas, iqama and work permit	1,848	4,083
Employees imp rests	1,843	1,905
Prepaid expenses	1,260	1,607
Value-added taxes	-	1,943
Other	7,979	8,768
	27,517	40,619

(All amounts in thousands Saudi Riyals unless otherwise stated)

13. Investments at fair value through profits or losses

	31/12/2020	31/12/2019
Balance at beginning of the year	16,258	-
Additions during the year	-	14,759
Profits on re-valuation of investments at fair value	309	1,499
Disposals by sale	(7,817)	-
Balance at end of the year	**8,750**	**16,258**

* Investments represent shares of listed Company (Saudi Arabian Oil Company – Aramco) with less than 1% of the share capital of the investee. Number of shares of the investee as at December 31, 2020, is 250,000 shares (2019: 461,227 shares). The fair value was measured in accordance with disclosed share price as at December 31, 2020. Profits or losses of evaluation have been recognized through profits or losses.

14. Cash and cash equivalent

	31/12/2020	31/12/2019
Cash on hand	682	1,781
Local banks – current accounts with Saudi Riyal	57,546	59,620
Local banks – current accounts with foreign currencies	18,423	8,282
	76,651	**69,683**

15. Share capital

	31/12/2020	31/12/2019
Balance at end of the year	**812,500**	**812,500**

The Company's share capital is S.R. 812,500 thousand divided into 81,250 thousand shares with a nominal value of SR. 10 each. The shareholders subscribed to the entire capital of the Company. There were no changes in share capital during the current financial year.

16. Statutory reserve

	31/12/2020	31/12/2019
Balance at end of the year	**241,429**	**241,429**

In accordance with the Regulations for Companies and Company's Article of Association, the Company is required to transfer 10% of the annual net income to the statutory reserve. This transferring shall be discontinued when the statutory reserve amounts to 30% of the share capital.

The amount of statutory reserve was not set in the presented financial statements because the company incurred a net loss for the current year.

(All amounts in thousands Saudi Riyals unless otherwise stated)

17. Employees' defined benefit obligations

The Group submitted a defined benefit plan in line with the Labor Law requirement in the Kingdom of Saudi Arabia. The end-of-service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment. Employees end-of-service benefit plans are unfunded plans and the benefit payment obligation are met when they fall due upon termination of employment.

The movement during the period was as follows:

	31/12/2020	31/12/2019
Balance at beginning of the year	11,385	10,605
Cost of current service (note 23)	4,243	3,243
Paid during the year	(3,313)	(2,684)
Actuarial losses "charged to other comprehensive income"	1,113	221
Balance at end of the year	**13,428**	**11,385**

Actuarial assessment was carried out with using expected credit unit method to measure present value of employees' defined benefit obligations at December 31, 2020 related to employees end-of-service benefit payable under Labor Law in the Kingdom of Saudi Arabia. This assessment is based on basic actuarial assumptions included the following:

Significant actuarial assumptions used	31/12/2020	31/12/2019
Discount rate	1.92%	1.92%
Average annual salary increase	1%	0%
Staff turnover rate	5%	5%
Retirement age	60	60

Sensitivity analysis

Sensitivity analysis is based on method that concludes the effect on employees defined benefit obligations upon occurrence of a change in one of basic actuarial assumptions by keeping all the other assumptions fixed. The following quantitative sensitivity analysis of assumptions used to measure employees defined benefit obligations:

	31/12/2020	31/12/2019
Basis as per actuarial assumptions used:	13,428	11,385
Sensitivity of employees defined benefit obligations due to change if one assumption		
Discount rate (increase by 1%)	13,240	11,296
Discount rate (decrease by 1%)	13,625	11,473
Staff turnover rate (increase by1%)	13,461	11,355
Staff turnover rate (decrease by 1%)	13,390	13,340

Sensitivity analysis may not represent the actual change in employees defined benefit obligations but provides only a report approximate to the sensitivity assumptions as it is not possible that the change will occur in the assumptions separately.

(All amounts in thousands Saudi Riyals unless otherwise stated)

18. Banks - credit facilities

	31/12/2020	31/12/2019
Commercial Tayseer finance and short-term Murabaha	66,653	145,861
Less: deferred finance commissions	(349)	(1,506)
	66,304	**144,355**

* Under facilities agreements signed with local banks, the Company obtained short-term credit facilities with sum of SR 556.7 million for the following all short term purposes:
- Finance to purchase and import the raw materials necessary for production.
- Finance the operational cycle of the Company and working capital.
- Purchase of materials via the opening account of Sabic Company.- Letters of credit and guarantees.
- Murabaha and Tawarruq.- Hedging from foreign currency risk

And this under the following guarantees:
- Promissory notes with maximum amount of the facilities.- General agreement to finance Islamic trading.
- Main hedge agreement.

19. Trade payables

	31/12/2020	31/12/2019
Suppliers	12,879	5,948
Notes payable	-	11,786
	12,879	**17,734**

20. Accrued expenses and other payables

	31/12/2020	31/12/2019
Staff accruals	5,471	10,051
Value-added tax	764	-
Advances from clients	3,361	5,361
Deferred revenue	468	471
Board of Directors remuneration payable	400	433
Other accrued expenses	6,394	6,273
	16,858	**22,589**

21. Provision for zakat

21.1. Provision for adjusted income

	31/12/2020	31/12/2019
Net (loss) profit for the year	(2,367)	6,253
Amendments to net (loss) profit for the year	9,243	4,623
Net amended income not subject to zakat	**6,876**	**10,876**

21.2. Calculation of zakat

The group filed a consolidated zakat return for the group as a whole (the parent company and its subsidiaries) under the consolidated financial statements, and the approximate zakat base for the group as at December 31, 2020 consists of the following items:

(All amounts in thousands Saudi Riyals unless otherwise stated)

21. Provision for zakat... (continued(

21.2. Calculation of zakat ... (continued)

	31/12/2020	31/12/2019
Net amended income subject to zakat	6,876	10,876
Add: elements subject to zakat	1,200,135	1,182,324
Less: elements not subject to zakat	(449,219)	(479,933)
Total base	**757,792**	**713,267**
Zakat base for the year	**783,247**	**735,093**
Zakat for the year	**19,581**	**18,381**

- Zakat payable is calculated on the higher basis of 2.5% of the Zakat base or of the adjusted net income.
- Zakat was calculated on the basis of 2.5% of the Zakat base.

21.3. Movement of provision for zakat

	31/12/2020	31/12/2019
Balance at the beginning of year		
Paid during the year	18,381	18,174
Zakat for the year	(18,826)	(17,719)
Provision for expected zakat claims	19,581	17,926
Provided for the year	2,883	-
Balance at the end of the year	22,464	17,926
	22,019	**18,381**

21.3. Status of zakat

The group has finalized its Zakat status with the General Authority for Zakat and Tax (GAZT) until 2014.

The Group filed the consolidated zakat return for the year ended at December 31, 2019, and obtained a certificate valid until April 30, 2021.

Zakat has been calculated for the subsidiaries mentioned in note (1) within the consolidated financial statements of the group, and the group is obligated to account for it before the General Authority for Zakat and Tax (GAZT), and each subsidiary is charged with its own zakat payable according to the group's policy of redistributing the zakat among the subsidiaries.

22. Revenue

	31/12/2020	31/12/2019
Local sales	248,529	316,701
Export sales	217,565	283,805
	466,094	**600,506**

(All amounts in thousands Saudi Riyals unless otherwise stated)

23. Cost of revenue

	31/12/2020	31/12/2019
Inventory of raw materials at the beginning of the year	261,130	259,753
Local purchases	107,426	202,871
Import purchases	93,449	125,931
Less: Inventory of raw materials at the end of the year	(216,723)	(261,130)
Cost of materials used in production	**245,282**	**327,425**
Production in progress at the beginning of the year	17,350	20,793
Industrial and operating supplies expenses	913	1,230
Salaries, wages, allowances and equivalents	65,749	79,231
Social insurance	3,196	3,389
Accommodation and catering	4,369	3,749
Risk insurance	6,756	6,386
Water and electricity expenses	27,791	33,780
Motor vehicles and fuel expenses	3,640	4,231
Visas, iqama and work permits	6,993	12,357
Cost of maintenance and spare parts	14,795	16,535
Medical insurance and medication	4,295	2,898
Depreciation of right-of-use assets (note 7.1)	1,590	1,590
Depreciation of property and equipment (note 5)	49,560	53,368
Employees' defined benefits obligations (note 18)	4,243	3,243
Other direct expenses	1,688	2,027
Less: production in progress at the end of the year	(18,390)	(17,350)
Cost of finished production	**439,820**	**554,882**
Inventory of finished production at beginning of the year	101,134	105,718
Less: Inventory of finished production at end of the year	(105,158)	(101,134)
	435,796	**559,466**

24. Selling and marketing expenses

	31/12/2020	31/12/2019
Salaries , wages and benefits	1,212	1,244
Local purchases Transportation, freight and goods distribution expenses	10,220	9,179
Sale incentives	1,461	2,062
Samples	734	390
Insurance expenses	332	218
Rent	280	427
Motor vehicles and fuel expenses	186	150
Medical insurance and medication	15	25
Depreciation of property and equipment (note 5)	6	144
Visas, iqama	-	35
Advertising and others	1,162	4,432
	15,608	**18,306**

(All amounts in thousands Saudi Riyals unless otherwise stated)

25. General and administrative expenses

	31/12/2020	31/12/2019
Salaries , wages and equivalents	9,132	10829
Impairment of trade receivables (note 10)	5,000	2,100
Professional fees	1,960	822
Fees and subscriptions	1,313	915
Postage , telephone and internet	644	610
Remunerations and expenses –Board of directors and committees' meetings	612	624
Stationary and printings	525	987
Bank charges	499	547
Buffet and cleaning	388	376
Motor vehicles expenses	77	45
Maintenance and repair	73	524
Miscellaneous expenses	1,079	755
	21,302	**19,134**

26. Other income

	31/12/2020	31/12/2019
Rental	5,348	5,477
Catering income for related companies	837	775
Gains on sale of property and equipment	153	102
Provision for inventory no longer required (note 9.1)	69	398
Miscellaneous income	708	303
	7,115	**7,055**

27. Net cost of finance

	31/12/2020	31/12/2019
Income from bank deposits	(104)	(42)
bank facilities interest	2,763	4,938
Leases interest	967	1,005
	3,626	**5,901**

28. (Loss) per share

The basic (loss) per share was calculated on the basis of the net (loss) profit for the year attributable to the shareholders of the company amounting to SR 24,831 thousand (2019: SR 11,673 thousand) divided by the weighted average number of issued shares equal to 81,250,000 shares (2019 - 81,250,000 shares), and the diluted share (loss) was equal to the basic share (loss).

Notes to the financial statements

(All amounts in thousands Saudi Riyals unless otherwise stated)

29. Segment information

The Group's operating segments are represented in two main sectors (the carpet, rugs and related products sector, and the blankets sector). Below is a summary of some of the financial information for the main business sectors for the year ended December 31, 2020 (compared to the year ended December 31, 2019).

Description/sector	carpet, rugs and related products	Blankets	Total
For the year ended December 31, 2020			
Revenue	403,425	62,669	**466,094**
	(377,850)	(57,946)	**(435,796)**
Gross profit	25,575	4,723	**30,298**
Net (loss) of the year	(23,071)	(760,,1)	**(24,831)**
Property, plant and equipment-net	278,910	19,736	**298,646**
Total assets	1,147,408	135,379	**1,282,787**
Total liabilities	41,117	109,965	**151,082**
For the year ended December 31, 2019			
Revenue	529,982	70,524	**600,506**
Cost of revenue	(494,421)	(65,045)	**(559,466)**
Gross profit	35,561	5,479	**41,040**
Net (loss) of the year	(10,925)	(748)	**(11,673)**
Property, plant and equipment-net	318,060	23,238	**341,298**
Total assets	1,238,256	145,851	**1,384,107**
Total liabilities	116,034	119,247	**235,281**

- **Geographical distribution of sales**

The group operates in the Kingdom of Saudi Arabia, which is considered the main domestic market, and also sells its products in major markets outside the Kingdom, mainly concentrated in the countries of the Gulf Cooperation Council, America, Africa, Europe, Australia and others. The following is a summary of the geographical distribution of sales for the year ending on December 31, 2020 Compared to the year ended December 31, 2019).

	31/12/2020	31/12/2019
Domestic sales (inside Kingdom of Saudi Arabia)	**248,529**	**316,701**
Export sales (outside Kingdom of Saudi Arabia)		
Asia continent	68,592	104,602
North America	39,020	72,173
Africa continent	28,452	26,018
Europe, Australia and others	81,501	81,012
	217,565	**283,805**
	466,094	**600,506**

30. Contingent liabilities and capital commitments

	31/12/2020		31/12/2019	
	Total contingent liability	**Insurance paid**	**Total contingent liability**	**Insurance paid**
Letter of credits and guarantees	**23,555**	-	**17,827**	-

(All amounts in thousands Saudi Riyals unless otherwise stated)

31. Financial instruments and risk management

The group's activities are considered exposed to various financial risks and these risks include: liquidity risk, credit risk and market risk, which consists of (currency risk, fair value risk, cash flow commission rate and price risk). The Group's overall risk management program focuses on unexpected financial market fluctuations and seeks for the possibility of minimizing potential negative impacts on the group's financial performance to a minimum limit.

The group's financial instruments consist of financial assets and they represent (cash and cash equivalents, trade receivables, investments at fair value through profit or loss and other receivables) and financial liabilities represent (Banks - credit facilities, trade payables and other payables) The risks include:

31.1. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in securing the funds necessary to meet its obligations in financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. The Group manages liquidity risk and monitors it on a regular basis to ensure that sufficient cash funds are available through bank facilities available to meet any future obligations.

The Group's terms of sales stipulate that payments are made in cash upon delivery of the goods or on a credit sale basis, according to credit terms, in which the payment period usually ranges between 30 to 180 days.

All current liabilities are expected to be paid within 12 months from the date of the financial statements. Trade payables are usually paid within 30 to 60 days from the date of purchase.

	December 31, 2020			
	Upon request or less than one year	**From 1 year to 5 years**	**More than 5 years**	**Net book value**
Banks- Credit facilities	66,304	-	-	66,304
Trade payables	12,879	-	-	12,879
Due to related parties	185	-	-	185
Other payables	6,394	-	-	6,394
	85,762	-	-	**85,762**

	December 31, 2019			
	Upon request or less than one year	**From 1 year to 5 years**	**More than 5 years**	**Net book value**
Banks- Credit facilities	144,355	-	-	144,355
Trade payables	17,734	-	-	17,734
Other payables	6,273	-	-	6,273
	168,362	-	-	**168,362**

(All amounts in thousands Saudi Riyals unless otherwise stated)

31. Financial instruments and risk management...(continued)

31.3. Credit risk

It is the risk of financial loss that falls on the group as a result of the failure of the customer or counterparty in a financial instrument to fulfill his contractual obligations. These risks arise mainly from bank cash and receivables. The group limits its credit risk related to these receivables by setting credit limits. For each client, the outstanding receivables are monitored according to specific policies and procedures. Cash is also deposited at banks with a high credit rating.

The followings are the carrying values of financial assets that represent the maximum credit risk:

	31/12/2020	31/12/2019
Cash at banks	75,969	67,902
Trade receivables	346,185	361,091
Other receivables	7,890	8,017
	430,044	**437,010**

Accounts receivable are stated net of provision for impairment of trade receivables and sales discounts and returns. The Group applies the simplified version of ECL measurement by grouping receivables on the basis of common credit risk characteristics and the days in which they are due.

31.3. Market risk

Market risk is the risk of fluctuation in a financial instrument due to changes in prices prevailing in the market such as foreign exchange rates, interest rates, and stock prices, which affect the group's income or the value of financial instruments it owns. The objective of market risk management is to manage and control market risk exposures within acceptable limits while maximizing returns.

The market risks that the group is exposed represent the followings:

Currency risk

- The risk of change in the value of financial instruments due to changes in foreign exchange rates, which affects payments and receipts in foreign currencies, as well as the valuation of assets and liabilities in foreign currencies.
- The group is subject to risks of fluctuations in foreign exchange rates during its normal business cycle, and the management continuously monitors changes in foreign exchange rates and manages the impact on the financial statements.

Fair value risk

Fair value is the value at which an asset is exchanged or a liability settled between willing and willing parties to deal on the same terms and principles as in dealing with other parties. Since the group's financial statements are prepared on the basis of the historical cost method, differences may result between the book value and the fair value estimates. In the opinion of the management, the fair value of the group's financial assets and liabilities approximates its carried forward balances.

A financial instrument is considered quoted in an active market if the quoted prices are readily and regularly available from Foreign exchange dealer, broker, industry group, pricing services or regulatory body, and that prices represent actual and regular market transactions on a commercial basis.

Notes to the financial statements
(All amounts in thousands Saudi Riyals unless otherwise stated)

31. Financial instruments and risk management...(continued)

31.2. Market risk...(continued)

Fair value risk...(continued)

When measuring fair value, the group uses observable market information whenever possible. Fair values are classified within different levels in the fair value hierarchy based on the inputs used in the valuation methods as follows:

Level 1: Quoted (unadjusted) prices in active markets for similar assets or liabilities that may be acquired on the date of measurement.
Level 2: Inputs other than quoted prices that are included in Level 1 that are observable for assets or liabilities directly (like prices) or indirectly (derived from prices).
Level 3: Inputs for assets or liabilities that are not based on observable market information (unobservable inputs).

If the inputs used to measure the fair value of the asset or liability fall into different levels of the hierarchy, the fair the fair value measurement is categorized entirely in the same level of the fair value hierarchy as the lowest level input is considered material to the full measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period in which the change occurred. During the year there were no transfers between the fair value levels of Level 1 and Level 2.

Where the group's financial instruments are grouped according to the historical cost principle, except for investments and derivative financial instruments that charged with the fair value, differences may arise between the book value and the fair value estimates. The management believes that the fair value of the group's financial assets and liabilities are not materially different from their carrying value.

Followings are the financial assets measured at fair value:

Assets	**Level1**	**Level2**	**Level3**	**Total**
Investments at fair value through other comprehensive income	-	-	82,775	82,775
Investments at fair value through profit or loss	8,750	-	-	8,750
Total assets at fair value	**8,750**	-	**82,775**	**91,525**

Interest rate risk (commission)

Interest rate risk (commission) is the risk related to the effects of fluctuations in market interest rates (commissions) on the group's financial position and cash flows.

Commodity price risk

Commodity price risk is the risk associated with changes in the prices of certain commodities to which the group is exposed to by unfavorable effect on the costs and cash flows. These risks arise in commodity prices from the expected purchases of some commodities from the raw materials used by the group.

(All amounts in thousands Saudi Riyals unless otherwise stated)

32. Amendment of disclosure in prior years' financial statements:

In accordance with the managerial decision issued at June 15, 2012 to amend the estimation of the useful lives of plant and equipment, the remaining useful lives of this item have been estimated with useful lives ranging from 12 to 20 years according to the specifications of each machinery, its operating conditions, maintenance requirements, and other factors affecting the useful life. The estimated annual depreciation of the item was calculated accordingly, starting from the fiscal year ended December 31, 2012 until to date. However, the useful lives in the financial statements for the years from 2012 to 2019 were disclosed with a useful life of 12 years and not a useful life ranging between 12 to 20 years.

Therefore, the disclosure has been amended in the financial statements for the current year 2020 (note No. 3.2), and this had no effect on the amounts that were presented in the current financial statements or prior years.

Estimated Useful lives of property, plant and equipment

Item	Useful life before amendment	Estimated useful life after amendment of prior years' errors
Plant ,equipment and major spare parts	12	12 to 20 years

33. Comparative figures

Certain comparative figures for the previous year have been reclassified to conform to the presentation of the financial statements for this year.

34. Significant events

At the beginning of the year 2020, the novel corona pandemic (Covid-19) spread, causing disruption to business and economic activities all over the world, including the Kingdom of Saudi Arabia and the Kingdom took many precautionary measures to confront all the negative effects resulting from that pandemic.

This required the group's management to reassess the key assumptions, estimates and sources applicable to the group's financial statements for the year ended December 31, 2020.

During that year, management evaluated all effects on the group's operations and activities, and based on this evaluation, there was no need to make any material adjustments to the financial statements for the financial year ended December 31, 2020. However, given the current uncertainty, any future change in assumptions and estimates upon which results may arise, require making substantial adjustments to the book values of assets and / or liabilities in future periods, and in view of the rapid development in the current situation with the existence of uncertainty about the future, management will continue to evaluate the impact based on developments in future.

35. Events subsequent to the date of the financial statements

Management believes that there are no significant subsequent events from the date of the statement of financial position at December 31, 2020 until the date of approval of the financial statements that may have a material impact on the financial position of the group appearing in these financial statements.

36. Approval of the financial statements

These consolidated financial statements for the year ended December 31, 2020 were approved for issuance by the Group's Board of Directors on March 24, 2021.