THIMAR DEVELOPMENT HOLDING COMPANY (THIMAR NATIONAL AGRICULTURAL MARKETING COMPANY - FORMERLY)

(A Saudi Joint Stock Company)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

with

INDEPENDENT AUDITOR'S REPORT

THIMAR DEVELOPMENT HOLDING COMPANY (THIMAR NATIONAL AGRICULTURAL MARKETING COMPANY - FORMERLY)

(A Saudi Joint Stock Company)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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INDEPENDENT AUDITOR'S REPORT

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Independent Auditors' Report
To the Shareholders of
Thimar Development Holding Company (Thimar National Agricultural Marketing Company - Formerly)
(A Saudi Joint Stock Company)
Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of Thimar Development Holding Company (Thimar National Agricultural Marketing Company - Formerly) (A Saudi Joint Stock Company) (the Company), which comprise the statement of financial position as at 31 December 2020G, the statements of profits or losses and other comprehensive income, change in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

We do not express an opinion on the accompanying financial statements of the Company, because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion:

1. The company's management did not have the financial documents, accounting records, analytical and detailed data supporting the years and financial periods prior to the date of 01 January 2019G, therefore we were unable to audit the opening balances as at 01 January 2019G, and we were unable to verify the validity of these balances carried forward at 01 January 2020G, and taking into consideration what was stated in our report on the company's financial statements as at 31 December 2019G, which included expressing disclaimer of opinion because of many matters in most of the items of the financial statements related to providing us with sufficient audit evidences, which were considered a major restriction on the scope of our work, as well as related to the non-application of the presentation, disclosure and measurement requirements stipulated in International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (please refer to our report on the financial statements at 31 December 2019G), and accordingly we were not able to determine whether there was a need to make any adjustments to the opening balances of the company, and therefore, any impact that may have on transactions during the year 2020G and the balances as at 31December 2020G.

OSAMA A. EL KHEREIJI & PARTNER CO.
Certified Public Accountants & Business Consultants

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Independent Auditors' Report (continued)
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Basis for Disclaimer of Opinion (continued)

2. The company's management did not prepare the financial statements and the accompanying notes as at 31 December 2020G in accordance with the disclosure requirements stipulated in the International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants. As it is clear from the financial statements and the accompanying notes that many important detailed notes were not included, for example the following:
   - The detailed components of property, plant and equipment were not disclosed.
   - The debt aging components of trade receivables were not disclosed.
   - The components of the statement of profit or loss and other comprehensive income were not disclosed.
   - The detailed transactions with related parties were not sufficiently disclosed.
   - Detailed loans informations were not disclosed.
   - Detailed data of potential liabilities were not disclosed.

3. We were appointed as auditors after the count date, therefore we were unable to attend the treasury count as at 31 December 2020G (also, we were unable to do so as at 31 December 2019G), whose debit balance amounted to 191,670 Saudi riyals (2019G: 85,931 Saudi riyals). We were unable to perform alternative audit procedures to verify the validity, existence and completeness of the transactions and balances of (the cash on hand).

4. We were appointed as auditors after the count date, therefore we were not able to attend the inventory count as at 31 December 2020G (also, we were not able to do so as at 31 December 2019G), and we were not provided with the count sheets, valuation statements and item cards as at 31 December 2020G (also, we were not provided with them as at 31 December 2019G), and whose debit balance according to the company's books at the same date amounted to 20,653 Saudi riyals (2019G: 3,760,925 Saudi riyals), and taking into consideration what was mentioned in the qualification paragraph no. (1). We were unable to perform alternative audit procedures to verify the validity, existence, and the completion of the inventory transactions and balances, and related transactions and accounts.

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Basis for Disclaimer of Opinion (continued)

5. We were not provided with bank confirmations and some bank accounts statements for bank current account balances as at 31 December 2020G (also, we did not receive them as at 31 December 2019G). The balances for the debit current banks and the credit loans owed by the company in favor of the banks according to the company's books at the same date are amounted to 2,220,908 Saudi riyals and 32,685,686 Saudi riyals, respectively (2019G: their debit and credit balances, respectively, amounted to 378,723 Saudi riyals and 32,685,686 Saudi riyals). We were unable to perform alternative audit procedures to verify the validity, existence and completeness of bank and loan transactions and balances.

6. We were not provided with a study of the impact of the decline in the value of the buildings registered on (farms) lands as at 31 December 2020G (also, we were not provided with them as at 31 December 2019G), whose book value amounted to16,225,522 Saudi riyals, (2019G: 17,046,658 Saudi riyals) as a result of the presence of indications of a decline in their value, and taking into consideration what was mentioned in the qualification paragraph no. (1). We were unable to perform alternative audit procedures to determine the necessity of adjusting its net recoverable value.

7. The property, plant and equipment register that was provided to us does not provide sufficient data for some properties with material values in terms of the book cost or the date of purchase (buildings - equipment) whose net book value, respectively as at 31 December 2020G, amounted to 19,503,678 Saudi riyals, and 2,427,086 Saudi riyals, and the company's management did not make an actual physical count of property, machinery and equipment during the previous fiscal years as well as at the end of the current fiscal year, and taking into consideration what was mentioned in the qualification paragraph no. (1). We were unable to perform alternative audit procedures to verify the validity, existence and completeness of those properties at the same date and their depreciation amounts.

8. The accumulated losses as at 31 December 2020G include an amount of 22,286,012 Saudi riyals, which are transactions that were settled on the statement of profit or loss and other comprehensive income in 2019, and we were not provided with sufficient supporting documents at the time (please refer to our report on the financial statements as at 31 December 2019G { qualification no. (8), no. (9) and no. (26) within the basis for disclaimer of opinion section} to find out the details of the amount and the reasons for the qualification). We were unable to perform alternative audit procedures to verify the completeness and correctness of the balance of accumulated losses.

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Basis for Disclaimer of Opinion (continued)

9. We were not provided with the financial statements of the investee companies (investments in associates) as at 31 December 2020G (also, we did not receive these financial statements and confirmations as at 31 December 2019G), whose balance at the same date amounted to 920,258 Saudi riyals (2019G: 920,258 Saudi riyals). (Credit, as the losses of these investments exceeded the cost of the investment). We also did not receive the confirmations for these investments at the same date, and taking into consideration what was mentioned in the qualification paragraph no. (1). We were unable to perform alternative audit procedures to verify the correctness of the evaluation, existence and completeness of the balance of those investments, and related transactions and accounts.

10. We were not provided with confirmations of the balances of trade receivables as at 31 December 2020G (also, we did not receive these confirmations as at 31 December 2019G), whose book value as at 31 December 2020G amounted to 13,216,988 Saudi riyals, and we were not provided with the study of the provision for expected credit losses as at 31 December 2020G (also, we were not provided the study of the provision as at 31 December 2019G), as most of the balances of these receivables have been carried over since several years. The balance of the provision as at 31 December 2020G amounted to 13,190,471 Saudi riyals (2019G: 13,190,471 Saudi riyals), and taking into consideration what was mentioned in the qualification paragraph no. (1). We were unable to perform alternative audit procedures to verify the validity, existence, completeness and evaluation of these balances and to determine whether any adjustments were necessary to the balances of trade receivables and related transactions and accounts.

11. We were not provided with the supporting documents to the letters of guarantee and their bank confirmations as at 31 December 2020G (also, we did not receive them as at 31 December 2019G). whose debit balance amounted to 570,000 Saudi riyals (2019 G: 570,000 Saudi riyals), and taking into consideration what was mentioned in the qualification paragraph no. (1). We were unable to perform alternative audit procedures to verify the validity, existence and completeness of this balance.

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Independent Auditors' Report (continued)
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Basis for Disclaimer of Opinion (continued)

12. The debit balance for the due from related parties item as at 31 December 2020G amounted to SR 87,106,110, and we were not provided with the confirmations of the balances of some of these parties as at 31 December 2020G (also, we did not receive these confirmations as at 31 December 2019G), which are both of Thimaar and Wasmi Markets Company and Thimar Fresh Company, whose debit balances at the same date, respectively, amounted to 60,648,343 Saudi riyals and 3,920,195 Saudi riyals (2019G: 61,001,830 Saudi riyals and 3,920,195 Saudi riyals respectively). Also, we were not provided with the study of the provision for expected credit losses for the balances due from related parties as at 31 December 2020G, and the company only create a provision for the entire balance owed by the Fresh Thimar Company in 2019G in the amount of 3,920,195 Saudi riyals (also, we did not receive the study of the provision as at 31 December 2019G), and taking into consideration what was mentioned in the qualification paragraph no. (1). We were unable to perform alternative audit procedures to verify the validity, existence and completeness of these balances and determine whether there is a need to make any adjustments to the balances due from related parties, and related transactions and accounts.

13. We were not provided with the documents supporting the balance of an advance payment to a supplier as at 31 December 2020G (also we did not receive it as at 31 December 2019G), whose debit balance amounted to 11,302,209 Saudi riyals (2019G: 11,302,209 Saudi riyals). The company made a provision for the entire balance during the previous year (also, we did not receive the supporting documents as at 31 December 2019G). As mentioned in note no.(19), this supplier filed a case against the company claiming an amount of 44,398,774 Saudi riyals representing the value of dues for supplies during previous periods according to his claim. A final judgment has been issued in favor of the supplier with the amount claimed, with no outstanding balance established for this supplier for those periods, and taking into consideration what was mentioned in the qualification paragraph no. (1). We were unable to perform alternative audit procedures to verify the validity, existence and completeness of this balance, and determining whether there is a need to make any adjustments to the balances of advance payment to suppliers, and their impact on the transactions and accounts related to the financial statements for the current year and the financial statements for previous years.

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<u>Basis for Disclaimer of Opinion</u> (continued)

14. We were not provided with the confirmations of the balances of trade accounts payable as at 31 December 2020G (also, we were not provided with them as at 31 December 2019G), which amounting to 21,270,008 Saudi riyals (2019G: 22,407,293 riyals), and taking into consideration what was mentioned in the qualification paragraph no. (1). We were unable to perform alternative audit procedures to verify the validity, existence and completeness of these balances and to determine whether there is a need to make any adjustments to the balances of trade payables and the related transactions and accounts.

15. The bank did not deposit an amount of 468,141 Saudi riyals in the company's bank account, which represents the total sales operations made through points of sale in favor of the company during the previous year 2019G, and by following up on the subsequent period, it became clear to us that to date it has not been recorded in the company's bank account. The company recorded that balance in other debit balances as at 31 December 2020G (2019G: amount of 468,141 Saudi riyals), and we were unable to perform alternative audit procedures to verify the validity, existence and completeness of this balance.

16. The other debit balances as at 31 December 2020G include an amount of 4,039,199 Saudi riyals (2019G: an amount of 4,950,161 Saudi riyals) registered under the account of the Execution Court in Riyadh, which is represented (according to the company) that the court has seized the company's bank accounts and has withdrawn amounts related to the implementation of judicial rulings against the company. We were not provided with sufficient documents supporting these. The company did not make the necessary provisions for these cases or recording the losses resulting from these cases. We were not able to perform alternative audit procedures to verify the validity, existence and completeness of this balance and its impact on the related transactions and accounts related in the financial statements for the current year and the financial statements for previous years.

17. We were not provided with the confirmations of the due to related parties balance as at 31 December 2020G (also, we did not receive it as at 31 December 2019G), which amounting to 1,167,168 Saudi riyals (2019G: the amount of 868,528 Saudi riyals), and taking into consideration what was mentioned in the qualification paragraph no. (1). We were unable to perform alternative audit procedures to verify the validity, existence and completeness of this balance and to determine whether there is a need to make any adjustments to the due to related parties balance and the related transactions and accounts.

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Independent Auditors' Report (continued)
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Basis for Disclaimer of Opinion (continued)

18. We were not provided with the supporting documents for the payables and other credit balances as at 31 December 2020G (also, we were not provided with them at 31 December 2019G), whose credit balance amounted to11,837,275 Saudi riyals (2019G: 7,478,058 Saudi riyals), and taking into consideration what was mentioned in the qualification paragraph no. (1). We were unable to perform alternative audit procedures to verify the validity, existence and completeness of this balance.

19. The company's management did not prepare an estimated actuarial assessment of the employee benefits for the end-of-service benefits for the financial year ending as at 31 December 2020G in accordance with International Financial Reporting Standards, (the end-of-service provision was recorded for previous financial years also without the assistance of an actuarial expert), and we were not provided with the documents supporting the calculation of the end-of-service provision recorded in the company's books. Accordingly, we are unable to implement the procedures that we deem necessary to verify the correctness of the amounts affected by the financial statements, and determine whether there is a need to make any adjustments to the balances of employee benefits obligations for the end of service and their impact on the related transactions and accounts in the financial statements for the current year and the financial statements for previous years.

20. We were not provided with the current zakat position of the company with the supporting documents as at 31 December 2020G (also, we were not provided with them as at 31 December 2019G), whose balance amounted to 12,438,576 Saudi riyals (2019G: 12,438,576 Saudi riyals). Also, we were not provided with the study of calculating the zakat provision for the year 2020G (we were also not provided with the basis for calculating the zakat provision for 2019G). We were not able to perform alternative audit procedures to verify the validity, existence, and completeness of this balance and the extent of existence of potential zakat obligations and its impact on the related transactions and accounts in the financial statements for the current year and the financial statements for previous years.

21. We were not provided with the documents supporting the closing of inventory difference balances within the selling and marketing expenses during the year 2020G amounting to 3,740,271 Saudi riyals, and taking into consideration what was mentioned in the qualification paragraph no. (1) and no. (4). We were unable to perform alternative audit procedures to verify the correctness, occurrence and completeness of selling and marketing expenses.

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Independent Auditors' Report (continued)
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Basis for Disclaimer of Opinion (continued)

22. The company's management did not process lease contracts in accordance with International Financial Reporting Standards, and therefore we are unable to implement the procedures that we deem necessary to verify the validity of the amounts affected by the financial statements and accordingly we were not able to verify the company's commitment to applying the requirements of IFRS No. (16) - Lease contracts, which must be applied from January 1, 2019G in relation to lease contracts.

23. These financial statements have been prepared on the basis that the company is a going concern, and with reference to the notes nos. (19), (21) and (22) of the notes supplementing the financial statements, the company has stopped to practice its activities during the period following the date of the financial statements, as well as the company's entry into a proposal and the procedures for its financial reorganization and the presence of a large number of cases brought against the company with the lack of sufficient financial resources to cover these cases and the potential financial obligations resulting from them. The company did not make any provisions during this year 2020G as well as the year 2019G for these potential obligations, and taking into consideration what was mentioned in the qualification paragraph no. (1). These circumstances and events, among other things, indicate that there is a fundamental doubt about the company's ability to continue in the foreseeable future as a going concern, and accordingly we were not able to determine the appropriateness of management's use of the going concern principle of accounting when preparing these statements financial statements, and the extent of its impact on the balances and amounts included in the financial statements for the current year.

We conducted our audit in accordance with International Standards on Auditing (ISAs) that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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Independent Auditors' Report (continued)
To the Shareholders of
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Key Audit Matters

Except for the matters described in the Basis for Disclaimer of Opinion section, we have determined that there are no key audit matters to be Notified in our report.

Other Information

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

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

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

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

Emphasis of Matter

We draw attention to note no. (20) of the notes supplementing the financial statements, which indicates that the company incurred a loss of an amount during the financial year ending as at 31 December 2020G amounting to 11,679,683 Saudi riyals, and accumulated losses amounting to 66,495,332 Saudi riyals at the same date, with a percentage of 66.50%. from the capital (this also happened at the end of 2019G and was referred to by drawing attention in our report on the company's financial statements), which is required, in implementation of Article no. (150) of The Regulations for the Companies, to invite the Extraordinary General Assembly to meet within forty-five days from the date of his knowledge of the losses; to decide either to increase or reduce the company's capital - in accordance with the provisions of the Regulations - to the extent that the percentage of losses drops to less than half of the paid-up capital, or to dissolve the company before the term specified in its articles of association. However, due to the company's entry into the financial reorganization proposal and procedures, and in application of article no. (42) of Chapter Four of the Bankruptcy Law and its Executive Regulations, the company is exempted from applying the provisions of the Companies Law with regard to the debtor's losses reaching the percentage specified in the Regulation. Our opinion is not modified in respect of this matter.

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Independent Auditors' Report (continued)
To the Shareholders of
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Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the company'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 company or to cease operations, or has no realistic alternative but to do so.

Board of Directors members are responsible for overseeing the company's financial reporting process

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibility is to conduct an audit of the Company's financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Our objectives are to obtain reasonable assurance about whether the 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 (IASs) 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 on Auditing (IASs) that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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(A Saudi Joint Stock Company

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

- 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 company'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 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 company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

License No. 502
P.O.Box 15046 Jeddah 21444
Tel.: 6600085 / 6670692
Fax: 6609320
Jeddah - Kingdom of Saudi Arabia

ترخيص رقم (٥٠٢)
ص.ب ١٥٠٤٦ جدة ٢١٤٤٤
هاتف : ٦٦٠٠٠٨٥ / ٦٦٧٠٦٩٢
فاكس: ٦٦٠٩٣٢٠
جدة – المملكة العربية السعودية

Independent Auditors' Report (continued)
To the Shareholders of
Thimar Development Holding Company (Thimar National Agricultural Marketing Company - Formerly)
(A Saudi Joint Stock Company

Report on Other Legal and Regulatory Requirements

- The Regulations for the Companies requires the auditor to include in his report any violations of the provisions of the Regulation or the provisions of the Company's Articles of Association. In the course of our current audit of the financial statements, we found that the company has violated the provisions of the Regulations for the Companies and related regulations which have no material impact on the financial statements. It consisted of the following:
  1- The company did not keep the accounting books and records within the minimum period specified by law (10 years at least) according to what is mentioned in item No. (1) of the basis for disclaimer of opinion paragraph in this report, which is a violation of the Commercial Books Law applied in Kingdom of Saudi Arabia.

  2- The company did not prepare its financial statements for the financial year ending as at 31 December 2020G, and submit them to the Ministry of Commerce and Investment within the legally specified period, which is a violation of the Regulations for the Companies applied in the Kingdom of Saudi Arabia.

  3- The company did not publish its financial statements for the financial year ending as at 31 December 2020G on the Saudi Tadawul website within the legally specified period, which is a violation of the Capital Market Authority Regulations in the Kingdom of Saudi Arabia.

  4- The company did not prepare its zakat returns and submit them to the Zakat, Tax and Customs Authority within the legally specified period.

  5- The company's accumulated losses as at 31 December 2020G amounted to 66.50% of the capital, which requires, in implementation of article no. (150) of of the Regulations for the Companies, to invite the extraordinary general assembly to meet within forty-five days from the date of his knowledge of the losses, but the general assembly was not called the extraordinary meeting within the period specified by law (taking into consideration what was stated in note no. (22) of the notes supplementing the financial statements, as due to the company entering into a proposal and procedures for financial reorganization and in application of article no. (42) of Chapter Four of the Bankruptcy Law and its regulations, the company is exempted from applying the provisions of the Regulations for the Companies with regard to the debtor's losses reaching the percentage specified in the Regulation).

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ترخيص رقم (٥٠٢)
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جدة - المملكة العربية السعودية

Independent Auditors' Report (continued)
To the Shareholders of
Thimar Development Holding Company (Thimar National Agricultural Marketing Company - Formerly)
(A Saudi Joint Stock Company

Report on Other Legal and Regulatory Requirements (continued)

6- The company's general assembly was not called to approve the financial statements, the board of directors' report, the auditor's report, and the audit committee's report for the financial year ending as at 31 December 2019G .

- The Company maintains computerized accounting records and the financial statements are in accordance therewith.

For / OSAMA A. ELKHEREIJI & PARTNER CO.

Osama A. Elkhereiji
License No. 154
Dated 23/04/1405H.

شركة أسامة عبدالله الخريجي وشريكه
محاسبون قانونيون واستشاريو أعمال
ترخيص رقم (٥٠٢)
License No. 502
OSAMA A. EL KHEREIJI & PARTNER CO.
Certified Public Accountants & Business Consultants

Jeddah
01/12/1443H.
30/06/2022G.

Translated from Arabic

THIMAR DEVELOPMENT HOLDING COMPANY (THIMAR NATIONAL AGRICULTURAL MARKETING COMPANY - FORMERLY)
(A SAUDI JOINT-STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2020
(EXPRESSED IN SAUDI RIYALS)

	Note	December 31, 2020	December 31, 2019
Assets			
Non-Current Assets			
Property, plant and equipment, net		27 820 683	29 600 095
Intangaible assets, net	(5)	25 973	33 995
Total Non-Current Assets		**27 846 656**	**29 634 090**
Current Assets			
Inventory, net	(7)	20 653	3 760 925
Accounts Receivable, net	(8)	26 517	3 321 585
prepaid expenses and other debit balances, net	(9)	6 305 950	6 942 977
Due from related parties, net	(10)	82 832 428	83 185 915
Cash and cash equivalents	(11)	2 459 583	499 093
Total Current Assets		**91 645 131**	**97 710 495**
Total Assets		**119 491 787**	**127 344 585**
Shareholders' equity and Liabilities			
Shareholders' equity			
Share capital	(1)	100 000 000	100 000 000
Statutory reserve	(12)	2 883 376	2 883 376
Accumulated (losses)		(66 495 332)	(54 815 649)
Total Shareholders' equity		**36 388 044**	**48 067 727**
Non-Current Liabilities			
Employees' End of Service Benefits		2 784 772	2 478 459
Total Non-Current Liabilities		**2 784 772**	**2 478 459**
Current Liabilities			
Short term loans	(13)	32 685 686	32 685 686
Accruals and other credit balances	(14)	11 837 275	7 478 058
Accounts payable		21 270 008	22 407 293
Due to related parties	(10)	1 167 168	868 528
Zakat provision		12 438 576	12 438 576
Provision for losses of investment in associate companies	(6)	920 258	920 258
Total Current Liabilities		**80 318 971**	**76 798 399**
Total Liabilities		**83 103 743**	**79 276 858**
Total liabilities and equity		**119 491 787**	**127 344 585**

* The accompanying notes (1) to (23) form an integral part of these financial statements.

Chairman **Managing Director** **Finance Manager**

Translated from Arabic

THIMAR DEVELOPMENT HOLDING COMPANY (THIMAR NATIONAL AGRICULTURAL MARKETING COMPANY - FORMERLY
(A SAUDI JOINT-STOCK COMPANY)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020
(EXPRESSED IN SAUDI RIYALS)

	Note	2020	2019
Activity Revenues		3 668 062	41 887 332
Activity costs		(3 484 040)	(41 443 286)
Gross Profit		**184 022**	**444 046**
Main Operating Expenses			
Selling and marketing expenses		(7 596 221)	(8 742 782)
General and administrative expenses		(4 913 800)	(5 824 970)
Provision for expected credit loss		---	(23 355 080)
Losses for disposals of projects in progress		---	(15 125 115)
Company's share in the losses of the associate companies		---	(2 974 588)
Other revenues		646 316	665 774
Operations Income		**(11 679 683)**	**(54 912 715)**
Finance cost		-	(557 550)
Net (Loss) before Zakat		**(11 679 683)**	**(55 470 265)**
Zakat		-	(1 264 743)
Net (Loss) for the year		**(11 679 683)**	**(56 735 008)**
Other comprehensive income:			
Items that will not subsequently be reclassified to profit or loss			
Total Other comprehensive income		-	-
Total comprehensive profit for the year		**(11 679 683)**	**(56 735 008)**
(Losses) per share for the year:			
Basic and diluted earning share in net (Loss) for the year	(15)	**(1.17)**	**(5.67)**

* The accompanying notes (1) to (23) form an integral part of these financial statements.

Chairman **Managing Director** **Finance Manager**

Translated from Arabic

THIMAR DEVELOPMENT HOLDING COMPANY (THIMAR NATIONAL AGRICULTURAL MARKETING COMPANY - FORMERLY)
(A SAUDI JOINT-STOCK COMPANY)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020
(EXPRESSED IN SAUDI RIYALS)

	Share capital	Statutory reserve	Accumulated (losses) / Retained earnings	Total Shareholders' equity
Balance at January 1, 2019 (Before adjustments)	**100 000 000**	**2 883 376**	**8 039 091**	**110 922 467**
Adjustments	---	---	(6 119 732)	**(6 119 732)**
Balance at January 1, 2019 (Restated)	**100 000 000**	**2 883 376**	**1 919 359**	**104 802 735**
Net (Losses) for the year	---	---	(56 735 008)	**(56 735 008)**
Other comprehensive income for the year	---	---	---	**---**
Balance as at December 31, 2019	**100 000 000**	**2 883 376**	**(54 815 649)**	**48 067 727**
Balance at January 1, 2020	**100 000 000**	**2 883 376**	**(54 815 649)**	**48 067 727**
Net (Losses) for the year	---	---	(11 679 683)	**(11 679 683)**
Other comprehensive income for the year	---	---	---	**---**
Balance as at December 31, 2020	**100 000 000**	**2 883 376**	**(66 495 332)**	**36 388 044**

* The accompanying notes (1) to (23) form an integral part of these financial statements.

Chairman **Managing Director** **Finance Manager**

Translated from Arabic

THIMAR DEVELOPMENT HOLDING COMPANY (THIMAR NATIONAL AGRICULTURAL MARKETING COMPANY - FORMERLY)
(A SAUDI JOINT-STOCK COMPANY)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020
(EXPRESSED IN SAUDI RIYALS)

	2020	**2019**
Operating Activities		
Net (Loss) before Zakat	(11 679 683)	(55 470 265)
Adjustments		
Depreciation of Property, plant and equipment	1 784 162	2 498 191
Amortization of Intangible assets	8 022	6 005
Provision for expected credit loss - formed	-	23 355 080
Company's share in the losses of the associate companies	-	2 974 588
Losses for disposals of projects in progress	-	15 125 115
Employees end of service benefits - formed	306 313	168 998
	(9 581 186)	**(11 342 288)**
Changes in Working capital:		
Inventory	3 740 272	8 575 159
Due from related parties	353 487	(4 920 437)
Accounts Receivable	3 295 068	11 898 720
prepaid expenses and other debit balances	637 027	(4 793 637)
Accounts payable	(1 137 285)	(173 472)
Accruals and other credit balances	4 359 217	2 692 953
Due to related parties	298 640	868 528
Cash provided by operating activities	**1 965 240**	**2 805 526**
Zakat paid	-	(2 000 082)
Employees end of service benefits paid	-	(224 184)
Net cash provided by operating activities	**1 965 240**	**581 260**
Investing Activities		
Purchase of property and equipment	(4 750)	(325 555)
Purchase of intangible assets	-	(40 000)
Net cash used by investing activities	**(4 750)**	**(365 555)**
Cash Flows from Financing Activities		
Net movement in Loans	---	(759 760)
Net Cash Provided By Financing Activities	**---**	**(759 760)**
Net cash flow	1 960 490	(544 055)
Cash and bank balances at the beginning of the year	499 093	1 043 148
Cash and bank balances at the end of the year	**2 459 583**	**499 093**

* The accompanying notes (1) to (23) form an integral part of these financial statements.

Chairman **Managing Director** **Finance Manager**

1- SUMMARY FOR THE COMPANY

- Thimar Development Holding Company (Thimar National Agricultural Marketing Company - Formerly) was registered as a Saudi joint-stock company with Commercial Registration number 1010068222issued in Riyadh on 17 Jumada al-Awwal 1408 H (corresponding to 07 January 1988 G). The Share Capital of the Company is SAR 100,000,000 divided into 10,000,000 shares with a nominal value of SAR 10.
- Based on extraordinary general assembly meeting dated on 12 October 2021, It has been approved on changing the company name to become Thimar Development Holding Company.
- The activities of the company in marketing, wholesale and retail trade of agricultural products, foodstuffs and all kinds of meat, fresh, chilled and frozen. Also providing services in marketing, maintenance and management of agricultural projects, management and operation of central wholesale markets.
- Exporting of foodstuffs and agricultural products, livestock and all kinds of chilled and frozen meat.
- The address of the company's head office is in Riyadh, Al Olaya District, Building No 3549, Al Oroba road, Kingdom of Saudi Arabia.
- The financial statements include the accounts of the company and its branches.

2- BASIS OF PREPARATION THE FINANCIAL STATEMENTS

2-1 ACCOUNTING STANDARDS APPLIED

- These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by SOCPA .
- The Capital Market Authority has allowed listed companies to use the fair value model or contiue used cost model to measure the property, and investment property Starting from 1 January 2022. It also obligated listed companies to continue to use the cost model to measure the property, plant and equipment, and intangible assets.

2-2 ACCOUNTING CONVENTION / BASIS OF MEASUREMENT

The financial statements have been prepared in accordance with the accrual principle and going concern and on a historical cost convention unless IFRS requires the use of another measurement basis, as indicated in the applied accounting policies (Note 3).

2-3 FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Saudi Riyals, which is the Company's functional and presentation currency, unless otherwise noted. All figures have been rounded to the nearest riyal, unless otherwise noted.

3- SIGNIFICANT ACCOUNTI NG POLICIES

3-1 New IFRS standards, amendments to standards and interpretations not yet adopted

- The Company has applied the following amendments to the standards for the first time for their reporting periods commencing on 1 January 2021 (applicable to the Company does not apply for its work). The effect will not be significant to the financial statements. They consist of the following:

- **Amendments to IAS 1 and IAS 8: Definition of Material (effective from January 1, 2020G).**
  Use a consistent definition of materiality across all IFRSs and the conceptual framework for financial reporting.
  Clarification and explanation of the definition of essential.
  Inclusion of some guidelines in International Accounting Standard No. (1) regarding immaterial information.

- **Business definition (definition of a business activity) - amendments to IFRS 3.**
  This amendment reviews the definition of a business. According to the responses received by the International Accounting Standards Board, it is believed that the application of the current guidance is too complex, and leads to too many transactions that qualify to form a business combination.

- **Amendments to some references within the framework of concepts in IFRSs.**
  The conceptual framework is not a standard and there is no conceptual effect of the amendments made to the financial statements of the company

- **Restructuring of the benchmark (indicative) interest rate - Amendments to the International Financial Reporting Standard No. (7) and No. (9).**
  These adjustments provide some reliefs in relation to the reform of the benchmark interest rate. The exemptions relate to hedge accounting and have the effect that reform of the prevailing interbank interest rate should not generally result in an end to hedge accounting. However, any ineffective hedge should continue to be recorded in the profit or loss statement.

- **The following are the new standards and amendments to the applicable standards and interpretations that were issued and are effective for annual periods beginning on or after January 1, 2021G with early application permitted, but the company did not apply them when preparing these financial statements. The company does not expect to have a material impact on the financial statements if the below standards and amendments are applied:**
  - IFRS 17 “Insurance Contracts” (effective from January 1, 2021G).
  - Classification of obligations (amendments to International Standard 1 “Presentation of Financial Statements”) (effective from January 1, 2022G).
  - The sale or contribution of assets between the investor and his associate or joint venture (amendments to IFRS 10 and IAS 3). (Available for optional application / Effective date deferred indefinitely).

3-2 SIGNIFICANT ACCOUNTING POLICIES APPLIED

The following are the significant accounting policies applied by the Company in preparing its financial statements to all accounting periods presented.

A- Classification of assets and liabilities into current / non-current:

- **Assets:**

The Company presents assets and liabilities in the financial statements based on their classification into current / noncurrent items. The asset is current when:

- It is expected to be realized or there is an intention to be sold or consumed it in a normal operating cycle, or
- It is held primarily for the purpose of trading, or
- It is expected to be realized within twelve months after the financial reporting's period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least – twelve months after the financial reporting period.

The Company classifies all other assets as non-current assets.

- **Liabilities:**

A liability is current when:

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

The Company classifies all other liabilities as non-current assets.

B- Cash and cash equivalents

For the purpose of preparing the statement of cash flows, cash and cash equivalents consist of balances with banks, cash on hand and short-term deposits with an original maturities of three months or less and other short-term highly liquid investments, if any, whose original maturity is three months or Less than the date of its creation and are available to the Company without any restrictions. It also includes overdraft accounts that are an integral part of the Company's cash management and are expected to be changed from overdrafts to current accounts.

C- Time Murabaha deposits with banks

Time Murabaha deposits with banks include deposits with bank with an original maturities of more than three months and less a year from deposit date .

D- Inventory

Inventory is stated at cost or net realizable value whichever is lower Cost is determined as following:

- Raw materials, consumables and spare parts: Purchase cost on a weighted average basis Cost of purchase includes the purchase price, custom duties, and the other taxes otherwise, those which refundable, later, from tax authorities and the costs of transportation and handling and other costs attributable directly to the acquisition and deduct the trade discounts and the reductions and other similar items when determines the cost of purchase.

- The net realizable value consists of the estimated selling price less incremental completion costs and an appropriate share of selling and distribution expenses. Any decrease in the cost of inventories to the net realizable value should be recognized as an expense in the period in which the reduction occurs. Any reversal of impairment should be recognized in the statement of profit or loss in the period in which the reversal occurs.
- Provision is made, where necessary, for any slow moving or defective inventory and the cost of the inventory is recognized as an expense and recognized in the cost of revenue.

E- Property, plant and equipment

Recognition and measurement

- Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of acquisition of the asset includes all costs related to the acquisition of the asset.
- An item of property, plant and equipment is derecognized when it is disposal or no future economic benefits are expected from its use or disposal.
- Gains and losses on disposal of an item of property, plant and equipment are determined by comparing net disposal proceeds with the carrying amounts of property, plant and equipment and are recognized net of other income (expense) in profits or losses.
- Subsequent expenditure is capitalized only when it results in increase in the future economic benefits and can be reliably measured.
- Loan financing costs are capitalized to finance the creation of qualifying assets during the year required to complete and process the assets for the purpose.
- Where significant portions of property, plant and equipment have different useful lives, they are then accounted for as items of property, plant and equipment.
- The cost of replacing an important part of the item of property, plant and equipment is recognized in the carrying amount of the item if potential future economic benefits are probable to flow to the Company and these costs can be measured reliably. The carrying amount of the item being derecognized is eliminated when significant parts of the property, plant and equipment are required to be replaced over time. The Company recognizes such items as individual assets with specific useful lives and is depreciated accordingly. Similarly, when performing a major examination, its cost is included in the carrying amount of the property and equipment as a replacement if the inclusion criteria are met. Other repair and maintenance costs are included in the profits or losses as incurred.

Capital spare parts

- Capital spare parts represent that the spare parts for factories and equipment that are necessary to support routine maintenance and overhaul of plants and equipment or to be used in emergency repair cases.
- These spare parts are capitalized if the conditions and capitalization standards are met, and are depreciated over the estimated useful life.

Depreciation

- The cost less estimated residual value is depreciated on a straight-line basis over the useful lives of the assets as follows.

Item	**%**
Buildings	3%
Wells	4%
computer and electrical equipments	7.5% - 20%
Leasehold improvement and Furniture & fixtures	5.2% - 25%
Machinery and equipment	10% - 20%
Vehicles	7.5% - 25%

- The residual value and useful lives of the asset are reviewed in case there are indications of significant changes since the date of the last annual report and adjusted for future impact, when necessary.

Capital works in progress

- Capital work in progress at the end of the year includes certain assets that have been acquired but are not ready for the intended use. Capital work is carried at cost less any impairment recorded in value. These assets are transferred to related asset classes and depreciated when they are ready for use.

F- Intangible Assets

- Intangible assets (excluding goodwill) acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and impairment losses, if any.
- Assets produced internally (excluding capitalized development costs) are not capitalized and related expenses are recognized in the statement of profit or loss in the period in which they are incurred.
- The useful lives of intangible assets are assessed to be either specific or indefinite.
- Intangible assets with finite useful lives are amortized over the useful economic life as following:

Item	**Years**
Softwares	5

- The residual values of intangible assets with finite lives, their useful lives and impairment indicators at the end of each financial year are reviewed for impairment if there is an indication that the intangible asset may have been impaired.
- Changes in the expected useful life or expected pattern of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates and adjusted prospectively, if necessary.
- Amortization expense for intangible assets with finite lives is recognized in the statement of profit or loss and other comprehensive income under expenses category in line with the function of intangible assets.
- Subsequent expenditure is capitalized only when the future economic benefits associated with the expenditure are likely to flow to the Company and the expenditure can be measured reliably.

- For intangible assets with an indefinite useful life are not amortized, but are tested to measure impairment annually, either individually or at the level of cash-generating units. The assessment of indefinite life is reviewed annually to determine whether it will continue to be classified as indefinitely. If not, the change in the assessment of the useful life from indefinite to finite is on a prospective basis.
- Gains or losses arising on derecognition of an intangible asset are measured as the difference between net sales proceeds and the carrying amount of the asset and are included in the statement of profit or loss and other comprehensive income when the asset is disposed of.

G- Non-current assets held for sale (if any)

- Non-current assets are classified as held for sale if there is a high probability of recover it through sale rather than using.
- The requirements for classification as held for sale can only be met when it is high likely to be disposed of and the asset is available for immediate sale in its present condition. The procedures required to complete the sale should be clear that there have been no material changes and the decision will be taken to discontinue the sale.
- These assets are usually measured at book value or fair value less selling cost which is lower. Impairment losses are recognized on the initial classification as assets held for sale and subsequent gains and losses on re-measurement are recognized in profit or loss.
- If the asset classified as held for sale, will not amortized or depreciated after that, and the investment in the investee company is not calculated after that by using the equity method.

H- Borrowing costs

- Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.
- Borrowing costs directly attributable to the establishment of an asset are capitalized using the capitalization rate up to the stage in which the work necessary to prepare the qualifying asset for the intended purpose is effectively completed and are then charged to profit or loss. In the case of specific loans, all such costs directly attributable to the acquisition, construction or production of an asset that require a substantial period of time for its intended preparation or sale, such costs are capitalized as part of the cost of the related asset. All other borrowing costs are expensed in the period in which they occur.
- The incomes from the investment that earned from the temporary investment of specific loans will be deducted until they are spent on qualifying assets from borrowing costs eligible for capitalization.

I- Associate companies investment and joint ventures

- Associate companies are those companies over which the Company exercises significant influence. Significant influence is the Company's ability to participate in the financial and operating decisions of the investee but is not control or joint control over those policies.
- A joint venture is a joint arrangement whereby the Company has joint control of that arrangement and has a right to the net assets of the joint arrangement.
- Joint control is a jointly controlled contractual arrangement that exists when decisions about activities require the unanimous consent of the parties sharing control. The considerations in

determining significant influence and joint control are retaining, directly or indirectly, a percentage of the voting power of the investee, representation on the board of directors or similar governance bodies of the investee, participation in policy-making, including participation in decisions relating to dividends or other distributions, material transactions between the Company and the investee, the exchange of administrative personnel or the provision of basic technical information.

- The Company's investment in the associate or joint venture is accounted for using the equity method.
- According to the equity method, the investment in the associate or joint venture is initially recorded at cost in the statement of financial position, and this cost is subsequently adjusted to recognize the Company's share of profits or losses and other comprehensive income of the associate or joint venture minus any decrease in the value of the net investment.
- When the Company's share of losses in the associate or joint venture exceeds its ownership in the associate or joint venture (which includes any long-term equity interests that substantially form part of the Company's net investment in the associate or joint venture), the Company ceases to recognize its share of the additional losses . Additional losses are recognized and recognized as liabilities only to the extent that the Company has legal or contractual obligations or has made payments on behalf of the associate or joint venture.
- If, in a subsequent period, the associate or joint venture records profits, the Company shall resume recording its share of such profits only when its share of profits equals its share of unrecognized losses.
- The Company's investment in the associate or joint venture is accounted for using the equity method, starting from the date on which the investee becomes an associate or a joint venture.
- Upon acquiring the investment in the associate or joint venture, any excess of the investment cost over the Company's share in the net fair value of the identifiable assets and liabilities of the investee is recorded as goodwill and included in the book value of the investment, and is not depreciated or tested in its value independently.
- Any excess of the Company's share of the net fair value of the identifiable assets and liabilities of the associate or joint venture over the cost of the investment after reassessment is recognized directly in the statement of profit or loss in the year in which the investment is acquired.
- The Company discontinues using the equity method from the date the investment ceases to be an associate or joint venture, or when the investment is designated as held for sale. In this case, the investment is recorded at fair value, and any difference between the book value of the associate or joint venture and the fair value after it is converted to investment and the disposal proceeds are recognized in the income statement.
- When the Company reduces its interest in an associate or a joint venture and the Company continues to apply the equity method, the company must reclassify the gain and loss previously recognized in other comprehensive income and related to that decrease in the statement of profit and loss, if this classification is for gain and loss. Includes derecognition of related assets or liabilities.
- After applying the equity method, the Company determines, on the date of preparing the financial statements, the extent to which there is objective evidence of a decline in the value of the investment in an associate or a joint venture, and in the case of such evidence, the company estimates the recoverable amount of the investment value. The recoverable amount of the investment value is the fair value of the investment or the cash-generating unit less costs to sell the investment or its value in use - whichever is higher.

- Unrealized gains or losses resulting from transactions between the Company and the associate or joint venture are eliminated to the extent of the Company's interest in the associate or joint venture. The Company's share of the results of the associate or joint venture is presented in the income statement after operating profits or losses
- The financial statements of the associate or joint venture are prepared for the same financial period as the Company. Adjustments are made, if necessary, to bring the accounting policie

J- Lease

The determination of whether the arrangements are (or its substance) is a lease based on the substance of the agreement of the beginning of the contract. An arrangement is assessed to determination whether its performance depends on the user of assets or that the arrangements transfer the right to use the asset even if the asset is not explicitly identified in the arrangement.

- **The Company as a lessee**

- The Company recognises a right-of-use asset and a corresponding lease liability related to the lease contracts which the requirements of IFRS (16) apply where:
  - Each a rental payment is distributed between the liabilities and the finance cost.
  - The finance cost is charged to profit and loss over a lease term where be achieved a static periodical commission rate on the remaining balance of the liability for each period.
  - The right of use assets was amortized with the cost that involving the following:
    - The amount of initial measurement for lease liabilities.
    - Any lease payments which were paid at or before the commencement date of the contract less any received rental incentives.
    - The costs of renewal. (if any)
  - The lease liabilities comprise the following net present values of payments:
    - The fixed payments (including the fixed payments in its substance) less any debit incentives.
    - The variable lease payments which based on an indicator or rate. (if any)
    - The amounts which expected to be paid pursuant to the guarantees of the residual value.
    - The price of exercising of the option of purchasing if a lessee sure reasonably from exercise that option if any.
    - Payments of the fines related to terminate a lease contract, if the lease term reflects reasonably of exercising the lessee for that option (if any).
  - The payments of a lease contract are discounted by using an incremental borrowing rate which represents the price that would pay by the lessee to borrow the necessary funds to obtain an asset in a similar value in a similar economic environment with similar conditions and terms.
  - The payments related to short-term leases and low-value leases are recognised as an expense in profit and loss. The short-term leases are the leases that have a lease period 12month or less.
  - Renegotiation on the lease contract's terms is made on an individual basis and contains a large of conditions and different terms. The arrangements of the lease contracts do not impose any pledges but the right-of-use assets do not use as a guarantee for the purposes of borrowing.

The Company as a lessor

- The determination of whether the agreements are (or its substance) is a lease based on the substance of the agreement of the beginning of the contract.

- Each lease (if any) are classified as a finance lease or an operating lease, where the regard of a lease is a finance lease or an operating lease depends on the substance of a transaction, not on the form of the contract.
- A lease is classified as a finance lease if a lease that transfers substantially all the risks and rewards incidental to ownership of an underlying asset.
- A lease is classified as an operating lease that does not transfer substantially all the risks and rewards incidental to the owner ship of an underlying asset.
- The lease incentives or any increase in the lease contracts are included as part of the total liability from the lease contract and are calculated on a straight line basis over the period of the contract. Contingent rentals are included as revenue in the period in which they are calculated.

K- Impairment of non-financial assets

- At each reporting date, the Company reviews non-financial assets (other than inventories) to determine whether there is any indication or circumstances that indicate an impairment loss or reversal of impairment loss. If this indicator exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss or reversal of the impairment loss, if any.
- When over it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis for allocation can be determined, the joint assets are allocated to individual cash-generating units or otherwise distributed to the smaller Company of cash-generating units for which a reasonable and consistent basis of allocation can be determined.
- The recoverable amount of the asset is the fair value of the asset or cash generating unit less costs to sell or value in use - whichever is higher,
- The recoverable amount of an individual asset is determined unless the asset generates cash flows that are substantially independent of the expenditure generated from other assets or Companys of assets.
- When the carrying amount of an asset or cash generating unit exceeds its recoverable amount, the asset is considered impaired and its value is reduced to its recoverable amount.
- In assessing the value in use, estimated future cash flows are discounted to their present value using the pre-tax discount rate, reflecting current market assessments of the time value of money and the specific risks of assets for which future cash flow estimates have not been adjusted.
- When determining the fair value less costs to complete the sale, recent market transactions are taken into consideration and, if such transactions can’t be identified, an appropriate valuation model is used.
- An impairment loss is recognized directly in profits or losses unless the relevant assets are carried at their revaluated amount. The impairment loss is treated in this case as a revaluation decrease.
- Where the impairment loss is reversed subsequently, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount so that the carrying amount does not exceed the carrying amount that would have been determined had the impairment loss been recognized value of assets (or cash-generating unit) in prior years. An impairment loss is recognized directly in the profits or losses unless the relevant assets are carried at their revaluated amount. The impairment loss is recognized in this case as an increase arising from revaluation.

- Intangible assets with indefinite useful lives and intangible assets that are not available for use after being reviewed for impairment at least annually and whenever there is an indication of impairment.

L- Fair value measurement

- The company disclouse the fair value for the non-financial asstes as part of the annula fianacial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the assumption that the transaction for to sell the asset or transfer the liability take place either:
  - Through the principal market of the asset or liability, or
  - Through the market most beneficial to the asset or liability in the absence of a principal market.
- The principal market or market must be the most accessible by the Company.
- The fair value of an asset or liability is measured using the assumptions used by market participants when pricing the asset or liability on the assumption that the parties in the market act in the best economic interest.
- The measurement of the fair value of a non-financial asset takes in consideration the ability of the parties in the market to provide economic benefits by using the asset to obtain the best benefit from it or to sell it to another party in the market for the best benefit.
- The Company uses valuation techniques that are appropriate to the circumstances and have sufficient data to measure fair value, maximize the use of observable data and reduce the use of non-observable related data, where:
  - The responsibility to supervise all important fair value measurements is the responsibility of management, including the third level of fair values.
  - The management reviews significant non-observable inputs and valuation adjustments periodically.
  - The management evaluates the evidence obtained from a third party to support the conclusion that these valuations meet the requirements of the IFRS adopted in Saudi Arabia, including the level in the hierarchy of fair value for which such assessments should be classified if information is used by a third party, such as brokers' prices or pricing services, are used to measure fair values.
- The Company uses observable market data to the extent possible when measuring the fair value of an asset or liability. The fair values are classified at different levels in the fair value hierarchy based on the inputs used in the valuation techniques as follows:
  - Level 1 : Quoted (unadjusted) market prices in active markets for identical assets or liabilities
  - Level 2 : Inputs other than prices listed in level 1 for identical assets and liabilities that could be observed for the assets or liabilities other than direct or indirect (as derivate of the price of the adjustment)
  - Level 3: Inputs for assets and liabilities that are not based on observable market data (unobservable input and inactive market)

- If the inputs used to measure the fair value of an asset or liability are at different levels of the fair value hierarchy, the fair value measurement is fully classified at the same level of the fair value hierarchy as the lowest level of inputs is essential for full measurement.
- Transfers are recognized between the levels of the fair value hierarchy at the end of the reporting period in which the change occurs.

M- STATUTORY RESERVE:

- In accordance with the Regulations for the Kingdom of Saudi Arabia and the Company's Articles of Association, the Company shall transfer 10% of the net profit for the year to statutory reserve until such reserve reaches 30% of its capital.
- This statutory reserve is not available for distribution to shareholders. However, its can be used to cover the company's losses or increasing the company capital.

N- Financial instruments

Financial instruments are recognized and measured in accordance with the requirements of IFRS (9) "Financial Instruments", which defines and addresses the classification, measurement and de-recognition of financial assets and financial liabilities and certain contracts for the purchase or sale of non-financial items. The details of the relevant accounting policies are set out below.

- **Initial recognition – financial assets and financial liabilities**

  Financial assets and liabilities are recognized when the entity becomes a party to the contractual of the instrument.
- **Financial assets**

  The company Financial assets that meaured by the amortised cost is the most appropriate category for the company.
- **Initial measurement**

  On initial measurement, except for trade receivables that do not include a material financing component, the financial asset is measured at fair value through profit or loss. The transaction costs directly attributable to the acquisition of the financial asset are recognized in profit or loss.

  If the financial asset is not at fair value through profit or loss, the financial asset is measured at its fair value plus transaction costs directly attributable to the acquisition of the financial asset.

  Trade receivables that do not have a material financing component or which are less than 12 months old are measured at the transaction price in accordance with IFRS (15).

- **Classification and subsequent measurement**

  The subsequent measurement of non-derivative financial assets depends on their classification into the following measurement categories based on the business model in which the financial assets are managed as well as the contractual terms of cash flows:

A) Financial assets at fair value through profit or loss:

Financial assets at fair value through statement of profit or loss are measured at the end of each reporting period without any transaction costs that the Company may incur when selling or disposing of any financial asset in the future.

All financial assets that are not classified as measured at amortized cost or at fair value through other comprehensive income and will be described below are measured at fair value through profit or loss. This includes all other derivative financial assets. On initial recognition, the Company is entitled to finalize financial assets that otherwise meet the measurement requirements at amortized cost or at fair value through other comprehensive income as financial assets at fair value through profit or loss.
If the Company does so, it omits the accounting mismatch that may arise in one way or another or significantly reduces mismatches.

B) Financial assets at fair value through other comprehensive income:
They are either (debt instruments at fair value through other comprehensive income) or (equity instruments at fair value through other comprehensive income)
Financial assets at fair value through other comprehensive income are measured at the end of each reporting period and the transaction costs incurred by the Company are derecognized when the asset is disposed of in the future.
Investments in debt instruments are measured at fair value through other comprehensive income if the following two conditions are met and are not measured at fair value through profit or loss:

- ✓ It is maintained within a business model that is verified by collecting contractual cash flows and selling financial assets. And
- ✓ Their contractual periods are established on specific cash flow dates that represent only payments of principal and interest on the principal of the amount outstanding.

Upon derecognition of financial assets, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to the statement of profit or loss. However, the fair value gains or losses are not reclassified to profit or loss in the case of equity instruments.

C) Financial assets measured at amortized cost:
The financial asset should be measured at amortized cost using the effective interest method if the following conditions are met:

1) The financial asset is retained within the business model, which is intended to hold financial assets from the collection of contractual cash flows; and
2) The contractual terms of the financial asset on specific dates result in cash flows that are principal and interest payments on the principal outstanding.

Financial assets measured at amortized cost include trade receivables, other receivables and time Murabaha deposits, Time Murabaha deposits with banks include deposits with bank with an original maturities of more than three months and less a year from deposit date, and including the loans that included in the other non current financial liabilities
After initial measurement, these financial assets are subsequently measured at amortized cost using the effective interest rate method less impairment (if any). Amortized cost is calculated by taking into consideration any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Effective interest rate amortization is included in financing revenue in profit or loss. Impairment losses are recognized in profit or loss.

The method of recognizing and presenting the profits or losses resulting from classifying the above categories is as follows:

Measurement class	Recognizing and presenting the profits or losses
Financial assets at amortized cost	– The following items are included in statement of profit or loss: ▪ Interest income using the effective interest rate method. ▪ Expected credit losses (or reversal of losses) (impairment and reversal) ▪ Foreign exchange gains or losses – When the financial asset is derecognized (Derecognition), the resulting gain or loss is recognized in profit or loss.
Debt instruments at fair value through other comprehensive income	– Gains and losses are recognized in other comprehensive income **except for the following items** which are recognized in profit or loss in the same manner as for financial assets measured at amortized cost: ▪ Interest income using the effective interest method. ▪ Expected credit losses (or reversal of losses). (Impairment and reversal) ▪ Foreign exchange gains or losses – When the financial asset is de-recognized (Derecognition), the cumulative gain or loss in the other comprehensive income is reclassified to profit or loss
Investment in equity instruments at fair value through other comprehensive income	– Gains or losses are recognized in other comprehensive income – Dividends from these investments must be recognized as income in profit or loss unless they clearly represent the payment of part of the cost of the investment. – The amounts recognized in other comprehensive income are not reclassified to profit or loss under any circumstances.
Investment at fair value through profit or loss	– Gains or losses arising either from subsequent measurement or from de-recognition are recognized in profit or loss.

- **Reclassification**
  When _and only when _ an entity changes its business model in the managing of financial assets, it must reclassify all its affected financial assets in accordance with the above classification requirements.
- **Cancellation of recognition of financial assets**
  The de-recognition of a financial asset (or, as appropriate, a part of a financial asset or a part of a Company of similar financial assets) (which mean its disposal from the financial position statement) when the cash flow rights commented of the asset is done or when the financial asset is transfer the financial assets or all its risks and benefits to another party. The difference in carrying amount is recognized in the profit or loss.

- **Impairment of financial assets**

  At each reporting date, the Company assesses the probability of objective evidence that the financial asset measured at cost or amortized cost may be impaired. Impairment arises when one or more events occur, if the initial recognition of an asset has an impact on the estimated future cash flows of a financial asset or a Company of financial assets that can be reliably measured.

  IFRS (9) requires the Company to apply a model to measure expected credit losses in respect of impairment of financial assets. Credit event occurrence is not necessary to include credit losses. Instead, using the expected credit loss model, the entity calculates the expected credit losses and changes as of each reporting date.
  The expected credit loss should be measured and made a provision to it either in the amount equivalent to:
  (a) 12 months of expected losses or
  (b) Long term expected losses.

- If the credit risk of the financial instrument is not substantially increased from the beginning, then a provision equal to the expected loss of 12 months is created.
- In other cases, provision should be made for long-term credit losses.

❖ For trade receivables and other receivables, the Company has applied the simplified method in accordance with the Standard and calculates credit losses according to credit loss forecasts over the life of the financial assets where:

- The Company has established a matrix of provisions based on the Company's past experience with respect to credit losses, and adjusted for future factors relating to debtors and the economic environment.
- The company considers the financial asset to be in default when the contractual payments are defaulted and their due date exceeds 90 days. However, in some cases, the company may consider a financial asset defaulted when internal or external information indicates that the company is not likely to receive the full existing contractual amounts before taking into account the credit supporting held by the company.

  Except for investments in debt instruments measured through other comprehensive income, the book value of the asset is reduced through the use of the provision account and the amount of the loss is recognized in profit or loss. Interest income continues to be depreciated using the interest rate used to discount future cash flows to measure impairment loss. Loans are written off with the loan-related provision when there is no realistic prospect of future recovery and all guarantees are realized or transferred to the Company.

- In respect of investments in debt instruments measured through other comprehensive income, the provision for the loss of other comprehensive income accumulated in the investment revaluation reserve is recognized and does not reduce the book value of the financial asset in the statement of financial position.
- In any case, if in a subsequent year, the amount of the impairment loss increased or decreased because of an event occurring after the impairment was recorded, the previously recognized impairment loss is increased or reduced by adjusting the provision account. If a subsequent write-down is reversed, the reversal is recognized in profit or loss.

- **Financial liabilities**
  The Company's financial liabilities include accounts payables, accruals amount, loans.

- **Initial measurement**
  Financial liabilities are initially recognized as financial liabilities at fair value through profit or loss and other comprehensive income and as loans, advances and payables as appropriate.
  All financial liabilities are initially measured at fair value and in the case of long-term loans, advances and accounts payable, net of direct costs related to the transaction. (I.e. except for financial liabilities at fair value where transaction costs directly related to the acquisition of financial liabilities are recognized directly in profit or loss).

- **Classification and subsequent measurement**

A) At amortized cost

The company must classify all financial liabilities at amortized cost and subsequently measured, except for:

1) Financial liabilities at fair value through profit or loss.
2) Financial liabilities that arise when a financial asset that is unqualified for de-recognition is derecognized or when the method of continuing involvement is applied (the continuing correlation method).
3) Financial guarantee contracts.
4) Obligations or commitments to provide a loan at an interest rate lower than the market price and not measured at fair value through profit or loss.
5) The potential price (consideration) recognized by the acquirer in a business combination that is in accordance with IFRS (3). This potential price is subsequently measured at fair value with changes recognized in profit or loss.

All financial liabilities of the Company are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss and other comprehensive income when the liability is derecognized through the amortization of the effective interest rate.
Amortized cost is calculated by taking into consideration any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate method. Effective interest rate amortization is included as finance costs in the statement of profit or loss.
Gains or losses on financial liabilities measured at fair value (which are not part of the overall hedging relationship) are recognized in profit or loss. Except for gains or losses on certain financial liabilities that are designated at fair value through profit or loss when the Company is required to assess the effects of changes in credit risk associated with liabilities in other comprehensive income.

B) Financial liabilities at fair value through profit or loss

Financial liabilities included in this category include:
1. Liabilities held for trading.
2. Liabilities derivatives not designated as hedging instruments.
3. Liabilities designated at fair value through profit or loss.

After initial recognition, the Company measures financial liabilities at fair value and recognizes changes in profit or loss.
Usually Gains and losses on financial liabilities designated at fair value are recognized in profit or loss as follows:

1. The amount of the change in the fair value of a financial liability that is attributable to changes in credit risk is recognized in other comprehensive income.
2. The residual value of the change in the fair value of the financial liability is recognized in profit or loss.

C) Financial liabilities other than financial liabilities at fair value through profit or loss
Financial liabilities are measured at amortized cost using the effective interest rate.

- **Reclassification**
The Company cannot reclassify any financial liability.
- **Derecognition of financial liabilities**
A financial liability is de-recognized when it is fulfill, cancelled or terminated. When an existing financial liability is replaced by another from the same lender on substantially different terms or when the terms of an existing obligation are substantially modified, such a replacement or modification is treated as a derecognition of the original financial liability while recognizing the new obligation. The difference between the relevant book values is recognized in profit or loss.
- **Set-off of financial instruments (set-off between financial assets and liabilities).**
Financial assets and financial liabilities are offset and recorded net in the statement of financial position only when the following conditions are met:

1- The Company has a statutory legal right to set-off the amounts recognized in assets and liabilities.
2- The intention of the Company to settle on a net basis or to recognize the asset and settle the obligation simultaneously.

O- Revenues recognition

- Revenues arising from contracts are recognized and measured in accordance with the requirements of IFRS (15), unless they are within the scope of other standards. Revenue arising from contracts with customers is recognized based on the five steps model, whereby revenue is recognized at an amount that reflects the price the entity expects to receive for transferring goods or services to the customer. Revenue is measured based on the identified amount in the contract with the customer.
- Revenue is measured on the basis of the compensation specified in the contract with the customer, with the exception of amounts collected on behalf of other parties. The Company recognizes revenue when transferring control over the products or services provided to the customer.
- The company recognizes revenue when it transfers control of a product or services to the customer and when the criterias for each of the company's activity are met, as mentioed below. and it is either at a point in time or over a period of time dependent on the performance of the obligation being fulfilled by transferring control of the goods or services to Client.

- Where the Company records revenue from contracts with clients based on the following five steps:
- Step (1): Determining the contract with the client: A contract is an agreement between two or more parties that results in mandatory rights and obligations and clarifies the criteria that must be met for each contract.
- Step (2): Defining performance obligations in the contract: A performance obligation is a promise to the customer according to the contract in order to transport goods or provide services to the customer.
- Step (3): Determining the transaction price: The transaction price is the price expected from the Company in exchange for the transfer of goods or services agreed upon with the customer, excluding the amounts collected on behalf of third parties.
- Step (4): Distributing the transaction price to the performance obligations in the contract: For a contract that contains more than one performance obligation, the Company distributes the transaction price to each performance obligation by an estimated amount of the price expected to be collected from the goods or services in exchange for the performance of the performance obligation.
- Step (5): Revenue is recognized when (or when) the Company fulfills the performance obligation.

- The Company fulfills the performance obligation and recognizes revenue over the term of the contract if it fulfills any of the following requirements:

1) The client obtains the benefits resulting from the performance of the Company and the consumption of those benefits at the same time, or
2) The Company's performance leads to the creation or improvement of an asset that is under the customer's control at the time of improvement or creation, or
3) The Company's performance of the obligation is not originally for other uses of the Company, and the Company has the right to collect the amount for the completed performance to date that is enforceable.
   - For performance obligations where one of the above conditions are not met, revenue is recognized at the time the performance obligation is satisfied.
   - When the Company fulfills a performance obligation by providing the promised goods or services, then the Company creates an asset based on the contract in exchange for the price it received as a result of the performance. If the amount of the billed price to the customer exceeds the amount of the listed revenues, this increases the commitment of the contract.

- Revenue is measured at the fair value of the price received or receivable, taking into account the contractual payment terms specified.
- Revenue is included in profit or loss to the extent of the expected flow of economic benefits to the Company, with revenues and costs - where applicable - being able to be measured reliably.

- **Revenue from Products Sales:**
  Revenues are recognized in accordance with what mentioned above, where the benefits and risks of the sold products are transferred directly to the customer as soon as he receives them and acknowledges that, and accordingly, invoices are issued and the revenue is recorded at that

point in time by the net value, after deducting any of the discounts that customers has received in accordance with the contracts concluded and to fulfill those obligations.
In the company revenue resulting when invoice is issued and goods has delivered

P- Costs Of Revenue

- Cost of revenue represented in the the cost of purchasing and the direct expenses that related to revenue

Q- Expenses

- Selling and marketing expenses and general and administrative expenses include direct and indirect costs that are not specifically considered part of the cost of revenues .
- Selling and marketing expenses in those expenses arising from the Company's underlying sales and marketing functions .
- All expenses except for financial charges, amortization, depreciation and impairment losses are classified as general and administrative expenses .

R- Income Tax and Zakat

R-1 Zakat

- Zakat is calculated in accordance with zakat regulations issued by the General Authority for Zakat and Income in the Kingdom of Saudi Arabia ("the Authority")
- Zakat is charged to the profit or loss.
- Any additional obligations and settlement of adjustments resulting from the Zakat, if any, that may become due upon completion of the assessment are recorded in the same fiscal year in which the zakat assessment is recognized.

R-2 Withholding tax

- The Company deducts taxes on certain transactions with non-resident entities in Saudi Arabia as required in accordance with the applicable tax regulations in the Kingdom of Saudi Arabia. The withholding tax relating to foreign payments is recognized as a liability

R-3 Transaction tax

- Income, expenses and assets are recognized net of transaction tax (including VAT), except for:
  - Where the transaction tax incurred in the purchase of an asset or service is not recoverable from the tax authority, in which case the transaction tax is recognized as part of the cost of the asset or as part of the expense, where applicable،
  - Accounts receivable and payables that have been included with the transaction tax amount.
- The net amount of the transaction tax recoverable from, or payable to, the tax authority is included as part of the receivables or payables in the statement of financial position.

S- Foreign currency transactions and balances

- Foreign currency transactions are translated into Saudi Riyals (functional currency) at the rates of exchange ruling at the date of the financial statements. Gains and losses arising from changes in exchange rates are recognized in profit or loss.
- Non-monetary items that are measured at the historical cost of a foreign currency are retranslated using the exchange rates at the date of the initial transactions and are not subsequently adjusted. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date that the fair value was determined. The gain or loss arising on the translation of non-monetary items measured at fair value is accounted for in accordance with the recognition of profit or loss from changes in the fair value of the related item.

T- Provisions

- Provisions are recognized when the Company has an obligation (legal or constructive) arising from a past event and there is a possibility that the Company will be required to settle this obligation through cash flows from outside the Company that reflect economic benefits and a significant estimate of the amount of the obligation can be made. Where the Company expects to repay some or all of the provision - for example - under an insurance contract, the payment is recognized as an independent asset but only when the payment is actually confirmed. The expense for the provision is presented in to profit or loss after any payment.
- If the effect of the time value of money is significant, the provisions is determined by discounting the expected future cash flows at the current discount rate before the tax that reflects current market assessments of the time value of money and the risks related to the obligation. When the discount is used, the excess of the provision is recognized as a result of the passage of time as the cost of financing in the profit or loss.
- Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If a flow of required external resources with economic benefits to settle the obligation is no longer probable, the provision is reversed.
- **Cessation of operations costs (assets related to the removal of assets)**
  A provision to suspend operations is recognized when the Company is responsible for the restoration or rehabilitation of the land. The degree of suspension of the required operations and related costs depends on the requirements of current laws and regulations.
  Costs included and included in the provision include all expected cessation liabilities over the life of the assets. The provision for suspending operations is discounted to its present value and capitalized as part of the assets under property, plant and equipment and is amortized over the life of the asset.
  Adjustments to the estimated amount and time of cash flows to discontinue operations are normal in light of the significant judgments and estimates involved. These adjustments are recorded as an increase in liabilities offset by an increase in the related assets. Factors affecting these adjustments include:

▪ Technology development.
▪ Regulatory requirements and environmental management strategies.

- Changes in the estimated threshold and expected costs of activities, including the effects of inflation.
- Changes in economic sustainability.

U- Employee benefits

- **Defined Benefit Programs**

  The Company provides a defined benefit plan to its employees in accordance with the Saudi Labor Law, as its defined in the Kingdom of Saudi Arabia laws.

  Short-term employee benefits

  A liability is recognized for benefits to employees relating to wages and salaries including non-monetary benefits, annual leave, sick leave and travel tickets during the period in which the service is provided, as well as the undiscounted amount of the benefits expected to be paid for that service on the basis that the related service may Performed. Recognized liabilities relating to short-term employee benefits are measured at the amount that is not deductible and is expected to be paid for the service rendered.

- **Employee benefits after end of service**

  The Company pays retirement contributions to its Saudi employees to the Social Insurance Institution and represents a specific contribution plan and the payments are considered as expenses when incurred.

V- Liabilities and contingent assets

- Contingent liabilities are obligations that are likely to arise from past events and are confirmed to exist only through the occurrence or absence of one or more uncertain future events that are not within the overall control of the Company. or an existing obligation that is not proved because it is unlikely that there will be a need for the flow of resources to settle the obligation. In the event that the amount of the obligation cannot be measured reliably enough, the Company does not demonstrate the contingent liabilities but discloses them in the financial statements.
- The potential assets are not recognized in the financial statements but are disclosed when economic benefits are probable.

W- Earnings per Share

- Basic earnings per share is calculated by dividing the net income attributable to the Company's shareholders by the weighted average number of shares outstanding during the year.
- Since the Company does not have any convertible shares, the basic earnings per share equals the reduced earnings per share.

X- Cash dividends of the Company's Shareholders

- The Company recognizes the obligations related to the payment of cash dividends to the Company's shareholders when the distribution is approved, The distribution is no longer happen according to the company's desire.

- In accordance with the Companies Law in Saudi Arabia, dividends are approved by the shareholders.
- Initial dividends, if any, are recorded upon approval by the Board of Directors. The amount of the consideration is recognized directly in equity.

Y- Discontinued Operations

This is one of the company's business components, whose operations and cash flows can be clearly distinguished from the remaining of the company, which are:

- Represents a separate major line of business or geographic area of separate operations.
- Part of a single coordinated plan to exclude a separate major line of business or geographic area of operations. or
- A subsidiary company acquired exclusively for the purpose of resale.

Z- Prepaid expenses

Prepaid long-term expenses (if any) are recognized at cost less any accumulated impairment losses.

AA- Segments Reports

- The business segment is a Company of assets, operations, or facilities:

1) Conducts its business in commercial activities through which it is possible to generate revenues and incur expenses including revenues and expenses related to transactions with other components of the Company;
2) The results of its operations are analyzed on an ongoing basis by the Chief Operating Officer in order to make decisions related to resource allocation and performance evaluation; and
3) On which accurate information is available separately.

- The geographical segment provides products or services within a specific economic environment that is exposed to risks and returns that differ from operating sectors in other economic environments. Since the compnay's ctivities only in the kingdom of Saudi Arabia, so no geographical segments are presented in these financial statements.

4- SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the amounts of revenues, expenses, assets and liabilities disclosed and disclosure of contingent liabilities as at the reporting date. Uncertainty about these assumptions and estimates may result in results that may require a material adjustment to the carrying amount of the assets or liabilities that will be affected in future periods.

These estimates and assumptions are based on experience and other factors that are believed to be reasonable under the circumstances and are used to judge the carrying amounts of assets and liabilities that are difficult to obtain from other sources. Core estimates and assumptions are reviewed on an on-going basis. An audit of the accounting estimates is recorded in the period in which the estimates are revised or in the period of the revision and future periods if the revised estimates affect current and future periods.

Significant accounting judgments, estimates and assumptions have been made which have a material impact on the financial statements as following:

4-1 Judgments

Compliance with performance obligations

The Company must assess each of its contracts with customers to determine whether performance obligations have been met over time or at a specific time in order to determine the appropriate method of income recognition. The Company assessed this based on the sales and purchase agreements it had entered into with the customers and the provisions of the relevant laws and regulations .

Determine transaction prices

The Company shall determine transaction prices in respect of each of its contracts with customers. In making such judgment, the Company assesses the impact of any variable price in the contract as a result of discounts or fines, the presence of any material element of the contract and any non-monetary price in the contract.

Corona pandemic (Covid-19)

The Company has reviewed the main sources of uncertainty estimates that have been disclosed in the latest financial statements regarding the Corona pandemic (Covid-19). Management believes that, other than the expected credit losses on a financial assets, the impairment loss on a non-financial asset and all other sources of uncertainty remain similar to those disclosed in the annual financial statements. Management will continue to monitor the situation and any required changes will be reflected in the future reporting year - note (18).

4-2 Assumptions and estimates

Expected credit losses

Expected credit losses are measured as financial assets measured at amortized cost and requires the use of complex models and significant assumptions about future economic conditions and credit behavior.

There are a number of important judgments that are also required in applying the accounting requirements for measuring expected credit losses, such as: -

Define criteria for substantial increase in credit risk

1- Selecting appropriate formats and assumptions to measure expected credit losses
2- Determine the number and relative weight of future assumptions for each type of product and market
3- Create a pool of potential financial assets to measure air credit losses.

The Company recognizes a provision for expected credit losses on financial instruments that are measured at amortized cost.
The Company measures the loss allowance at an amount equal to the expected credit losses over the useful life of the financial instrument, except for:
- The following financial instruments for which the provision for expected credit losses is measured over a period of 12 months:
- Financial assets with low credit risk at the reporting date and financial instruments where credit risk has not increased significantly since its initial recognition.

Provision for slow moving inventory
Management form provision for slow moving and obsolete inventory items. Inventories are measured at cost or net realizable value, estimates of net realizable value are based on the most reliable evidence at the time the estimates are made. These estimates take into account price fluctuations or costs directly related to events that occur after the date of the financial statements to the extent that those events confirm conditions that exist at the end of the year.

Productive useful life of property, plant and equipment
The Company determines the estimated useful lives of property, equipment and investment properties for depreciation. This estimate is determined after taking into account the expected period of use of the asset and the natural damage. The management examines the estimated useful lives and the method of depreciation periodically to ensure that the method and duration of depreciation are consistent with the expected model of the economic benefits of these assets.and changes in depreciation expense are adjusted in current and future periods, if any,

Impairment of non-financial assets.
The Company assesses at each reporting date whether there are indications of impairment of the non-financial assets at each reporting date. Non-financial assets are selected to determine impairment in the event of indications that the carrying amounts cannot be recovered .
When the value in use is calculated, the management estimates the future cash flows of the asset or unit of cash and selects the appropriate discount rate to calculate the present value of these cash flows.

Going concern
The management of the Company has assessed its ability to continue on the basis of the going concern and has concluded that it has the resources to continue its activity in the foreseeable future. In addition, The company is subject to Bankruptcy Regulations and its executive regulations, where the court approved the financial reorganization suggestion that provided by the company, and both shareholders and creditors approved the proposal (note 21). Consequently, the financial statements have been prepared on the basis of the going concern.

5- INTANGAIBLE ASSETS, NET

The movement of the intangible assets during the year as following:

Description	Programmes	Total
Cost as at		
As at 01 January 2020	40 000	**40 000**
Additions during the year	-	-
As at 31 December 2020	**40 000**	**40 000**
Accumulated depreciation		
As at 01 January 2020	6 005	**6 005**
Amortization	8 022	8 022
As at 31 December 2020	**14 027**	**14 027**
Net book value		
As at 31 December 2020	**25 973**	**25 973**
As at 31 December 2019	**33 995**	**33 995**

6- INVESTMENTS IN ASSOCIATES / PROVISION FOR LOSSES OF INVESTMENT IN ASSOCIATES COMPANIES

Investments in associate companies consist of the following:

Company	Legal entity	Country	Ownership percentage	31 December 2020 SAR	31 December 2019 SAR
* Thimaar and Wasmi Markets Company	Limited liability company	Saudi Arabia	% 30.56	(920 258)	(920 258)
** Thimar Fresh Company	Limited liability company	Saudi Arabia	% 50	---	
				(920 258)	**(920 258)**

* Thimaar and Wasmi Markets Company is a limited liability company established in the Kingdom of Saudi Arabia in accordance with the Companies regulation. The main activities of the company are wholesale and retail trade in agricultural, industrial and food products, chilled meats, , cleaning and consumer items and all household items. There is an existing lawsuit to liquidate the company, but it has not yet been decided.

** Thimar Fresh Company is a limited liability company established in the Kingdom of Saudi Arabia in accordance with the Companies regulation. The company's accumulated losses reached to 100% of its capital since previous years, and the company's management decided to stop calculating equity method due to existing a lawsuit to liquidate the company, but it has not yet been decided.

7- INVENTORY:

	31 December 2020 SAR	31 December 2019 SAR
Meats	-	3 453 800
Vegetables and fruits	-	251 063
Spare parts	2 907 384	2 719 040
Other supplies and packaging materials	20 653	56 062
	20 653	**3 760 925**

8- ACCOUNTS RECEIVABLE – (NET):

	31 December 2020 SAR	31 December 2019 SAR
Accounts receivable	13 216 988	16 512 056
Deduct : Impairment losses on accounts receivables	(13 190 471)	(13 190 471)
	26 517	**3 321 585**

9- PREPAID EXPENSES AND OTHER DEBIT BALANCES, NET

	31 December 2020 SAR	31 December 2019 SAR
Receivables staff	290 263	183 882
Prepaid expenses	34 738	385 805
Advance payments to suppliers	11 315 179	11 305 716
Bank Guarantees	570 000	570 000
Other debit balances	5 397 979	5 802 783
	17 608 159	**18 245 186**
Deduct : Impairment losses on prepaid expenses	(11 302 209)	(11 302 209)
	6 305 950	**6 942 977**

10 RELATED PARTIES TRANSACTIONS:

- The related parties represent the main shareholders and top management members in the company and the companies that owned or managed by them, Also the companies that have a control over those entities or influence effect.
- Transactions with related parties are carried out during the regular business cycle. on terms similar to those between other parties through contracts approved by the management.

- Following the main transactions with the related parties and the balances:

10-A Due from related party:

	Relationship	The nature of the transactions	01/01/2020	Total debit transactions	Total credit transactions	31/12/2020
Thimaar and Wasmi Markets Company	Associate company	Sales	13 008 977	-	-	13 008 977
		Funding	38 878 416	-	310 000	38 568 416
		Payments on behalf	9 114 437	34 013	77 500	9 070 950
Thimar Fresh Company	Associate company	Funding	3 920 195	-	-	3 920 195
Prince / Faisal bin Turki	Partner in Associate company	Receivable	22 184 085	-	-	22 184 085
Total			**87 106 110**			**86 752 623**
Provision for doubtful debts			(3 920 195)			(3 920 195)
Total			**83 185 915**			**82 832 428**

10-B Due to related party:

	Relationship	The nature of the transactions	01/01/2020	Total debit transactions	Total credit transactions	31/12/2020
Mr. Sari AL Mayouf	Managing Director (previous)	Funding	868 528	63 000	6 000	811 528
Mr. Ibrahim Al Mayouf	Chariman (previous)	Funding	-	3 360	359 000	355 640
Total			**868 528**			**1 167 168**

11 CASH AND CASH EQUIVALENTS:

	31 December 2020 SAR	31 December 2019 SAR
Cash and petty cash	238 675	120 370
Cash at Banks	2 220 908	378 723
	2 459 583	**499 093**

12 STATUTORY RESERVE:

In accordance with the Company’s Articles of Association and the Companies Law in the Kingdom of Saudi Arabia, the Company must annually transfer 10% of its net income to a statutory reserve until this statutory reserve reaches 30% of its capital. This reserve is not distributable to shareholders.

13 LOANS:

Loan from SABB bank:

- The facilities that the companyhas received by SABB Bank until December 31, 2020 amounted to 32 685 686 SAR (31 December 2019, an amount of 33 685 686 SAR).

14 ACCRUALS AND OTHER CREDIT BALANCES:

	31 December 2020 SAR	31 December 2019 SAR
Salaries and employees benefits	6 767 293	3 153 854
Other accrued expenses	3 282 758	2 537 448
Value added tax	1 787 224	1 786 756
	11 837 275	**7 478 058**

15 EARNING PER SHARE:

Basic and diluted (Losses) earnings per share from net (Loss) / income is calculated by dividing the net (Loss) / income for the year by the weighted average number of shares outstanding at the end of the year amounting to 10 000 000 shares (31 December 2019: 10 000 000 shares)

	31 December 2020 SAR	31 December 2019 SAR
(Loss) of the year	(11 679 683)	(56 735 008)
weighted average number of shares	10 000 000	10 000 000
Basic (Loss) per share	**(1.17)**	**(5.67)**

16 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

16-1 Measurement of fair value of financial instruments

Fair value is the amount by which an asset is sold or a liability settled between willing parties with fair terms at the measurement date. Within the definition of fair value, it is assumed that the Company is a continuing operating entity where there is no intention or requirement to materially reduce the volume of its operations or to conduct a transaction on negative terms.

A financial instrument is included in an active market if the listed prices are easily and regularly available from a foreign exchange dealer, broker, industry group, pricing services or regulatory body, and these prices represent actual and regular market transactions on a commercial basis.

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

Level 1: Listed prices (unadjusted) in active markets, represented by the prices of shares listed on the Saudi Capital Market Authority.

Level 2: Inputs other than listed prices included in Level 1 are observable and are indicative prices of the unit price in the invested real estate funds.

Level 3: inputs to assets or liabilities not based on observable market information (unobservable inputs), namely the cost of acquisition of investment in listed companies.

17 FINANCIAL INSTRUMENTS RISK MANAGEMENT

- Risks are part of the Company's activities and are managed through a continuous mechanism consisting of risk identification, evaluation and follow-up, in accordance with other approved controls and controls. Risk management is essential to the company's ability to generate profits.
- Every employee in the company is responsible for the management of risks related to the dictates of his job or responsibilities.
- The Company is exposed to market risk, commission rate risk, currency risk, liquidity risk and credit risk.

Credit risk:

Credit risk is the risk that one party to a financial instrument will not be able to meet its obligations, and this will cause the other party to incur a financial loss.

The Company does not have a significant concentration for credit risk. To reduce exposure of credit risk, the company has set up an approval process that credit limits are applied to customers. The management also continuously monitors the credit risk exposure towards customers and form a provision against doubtful balances, which are based on the customer's file and pre-payment dates. The compnay monitors the existing accounts on a regular basis.

The maximim level of credit risk that may the compnay face is the book values, and its as at hte reporting dare as following:

	31 December 2020	31 December 2019
Cash and Cash equivalent	2 459 583	499 093
Trade receivables	26 517	3 321 585
prepaid expenses and other debit balances	6 305 950	6 942 977
Due from related parties	82 832 428	83 185 915

Liquidity risk:

- Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments that the Company commits to in the interest of others. Liquidity risk may arise from the inability to sell a financial asset quickly at amount close to its fair value.
- The Company manages liquidity risk on a regular basis and ensures that sufficient funds are available through bank facilities to meet any future obligations.
- The company sales conditions states that the cash payment with delivering the goods or on credit sales basis.

Market price risk:

- Market risk is the risk of fluctuation in a financial instrument due to changes in prevailing market prices such as foreign exchange rates, interest rates and stocks prices, which affect the Company's income or the value of its financial instruments.
- Market risk management aims to manage and control market risk exposure within acceptable limits while maximizing returns.

Interest rate risk (commissions):

- Interest rate risk (commission) represents the risks related to the effects of fluctuations in interest rates (commissions) prevailing in the market on the Company's financial position and its cash flows.

Goods prices risk:

- Goods price risk is the risk associated with changes in the prices of some goods to which the company is exposed to an undesirable impact on the company's costs and cash flows. This goods price risk arises from the expected purchases of certain goods from the raw materials that used by the company.

Currency risk:

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when future business transactions and recognized assets and liabilities are denominated in currencies different from the Company's currency.

Capital Management:

- The policy of the Board of Directors is to maintain an adequate capital base in order to maintain investor, creditor and market confidence and to maintain the future development of its business. The Board of Directors monitors the return on the capital used and the level of dividends distributed to shareholders.
- In managing capital, the company aims to:
  1- Protect the entity's ability to continue as a going concern so that it can continue to provide returns to shareholders and interest to other stakeholders.
  2- Provide sufficient returns for shareholders.
- The following is an analysis of the net adjusted debt ratios of the Company to the adjusted capital at the end of the financial year:

	31 December 2020 SR	**31 December 2019 SR**
Total liabilities	83 103 743	79 276 858
Less: cash and bank balances	2 459 583	499 093
Net adjusted debt	**80 644 160**	78 777 765
Shareholders' equity	36 388 044	48 067 727
Debt to equity ratio as at the of the year	**%221.62**	%163.89

18 EFFECT OF CORONAVIRUS (COVID-19):

In response to the outbreak of the Coronavirus (Covid-19) at the beginning of the year 2020 and spreading in several geographical areas around the world and the resulting disruptions to economic and business activities, the company has formed a working team to assess the expected effects on the company's business inside the Kingdom. The company has also taken a series of preventive measures to ensure the health and safety of its employees, customers and society to ensure the continuing of its operations. The company does not expect material impacts due to the coronavirus (Covid-19) on the statement of financial position and results for the financial year ending on 31 December 2020.

19 CONTINGENT LIABILITIES:

The company has contingent liabilities rising from lawsuits filed by third parties against the company, as some suppliers who have old balances from previous years filed lawsuits against the company and gained the status of final enforceable judgments, and as a result of the final enforceable judgments, the company's bank accounts were suspended and the existing amounts were frozen for the account of the Execution Court and then withdrawn to the account of the Execution Court.

20 GOING CONCERN:

As shown in the financial statements, the company's net loss for the year 2020 of 11 679 683 SAR. and the accumleted losses for the financial year ended on 31 December 2020 of 66 495 332 SAR which is execceded the half of the company capital, which is required to apply the article 150 from The Regulations for the Companies in the Kingdom of Saudi Arabia, which states that if the losses of the joint stock company reached to half of the capital the extraordinary general assembly must be called for a meeting within forty five days from the date of the company's board of directors becoming aware of the losses to decide either to increase or reduce the company's capital - in accordance with the article of association - to the extent that the percentage of losses to less than half of the paid-up capital, or to dissolve the company before the specified date in its articles of association. However, according to the company entred into proposal and procedures of the financial reorganization (Details are found in Note No. 22) and in implementation of Article No. (42) of Chapter Four of the Bankruptcy Law and its Executive Regulations, the company is exempted from applying the Companies regulation with regard to the debtor's losses reaching the specified percentage in the Law.

21 IMPORTANT EVENTS:

Ther are some important events during this year and previous year which is may impact the financial position of the company that presented in these financial statements, according to the following:

1- Stopping the company's activity (purchase - sale) because the suspension and freezing of accounts, except for the operation in the Azizia market (purchase - sale) in cash.
2- On 02/07/2020 a lawsuit was filed against (the debtor) a related party to claim 22 184 million riyals.
3- On 03/09/2020 the company obtained the approval of Tadawul and the Capital Market Authority to trade the stock outside of the main platform.
4- On 29/11/2020 a adjudication was issued in favor of the company against a related party, obligating him to pay an amount of 22 414,084 SAR to the company.

22 SUBSEQUENT EVENTS:

Ther are subsequent events since the ending of the year which is may impact the financial position of the company that presented in these financial statements, according to the following:

1- Despite the effects of the Corona pandemic and the ban periods, cooperation continued with the external auditor, Al Azem, Al Sudairy and Al Shaikh & Partners Company, and providing him with all his requirements.
2- On 06/01/2021 SABB Bank submitted a request to the Commercial Court in Riyadh, the Ninth Circuit, to liquidate the company to obtain his Indebtedness.
3- On 01/14/2021, the related party appealed to the deceision issued to pay 22 414 084 Riyals to the company.
4- On 04/02/2021 the company objected to the liquidation request submitted by SABB Bank.
5- On 04/04/2021, a deceision was issued to apply the financial reorganization procedures to the company.

6- On 18/04/2021, the final decision was approved in favor of the company against a related party and affirm its payment of 22 414 084 Riyals.
7- On 10/12/2021, the Extraordinary General Assembly approved the amendment of the company's articles of association, governance regulations, and changing the external auditor, Al Azem, Al Sudairy and Al Shaikh & Partners Company, and appointing Osama Abdullah El-Khereiji & partner Co., and electing the audit committee.
8- On 29/10/2021 the company's name has changed from the Thimar National Agricultural Marketing Company to Thimar Development Holding Company based on the approval of the Extraordinary General Assembly on 12/10/2021 after being approved by the Ministry of Commerce.
9- On 16/12/2021, a decision was issued against the related party (Thimaar and Wasmi Markets Company) to liquidate the company.
10- On 30/12/2021 the company has announced a board decision to use the fair value or revaluation model to measure properties and investment properties within the first quarter 2022 lists.
11- On 01/11/2022 the Executive Committee has approved the selling of refrigerators in the Aziziyah market.
12- On 06/02/2022 delivering the propsed financial organization to the Commercial Court in Riyadh.
13- On 24/02/2022 the final court approval for the creditors' claims by a final decision and the issuance of a deed.
14- On 09/03/2022, the company submitted a request to the liquidator of Thimar Markets Company with a claim.
15- On 23/03/2022, the court approved the financial reorganization proposal submitted by the company and set a date 14/04/2022 for voting of the shareholders on it and a date for 18/04/2022 for voting creditors on it.
16- On 14/04/2022, 99.57% of the total attendance of shareholders have approved the financial reorganization proposal.
17- On 18/04/2022, 99.73% of the total attendance of creditors have approved the financial reorganization proposal.

23 APPROVAL OF THE FINANCIAL STATEMENTS:

These financial statements were approved by the board of directors on 01 /12/1443H (corresponding to 30 /06/ 2022 G).

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