

**The National Company for Glass Industries (Zoujaj)**  
**(Saudi Joint Stock Company)**

**Financial Statements and Independent Auditor's Report**  
**For the year ended December 31, 2021**

**THE NATIONAL COMPANY FOR GLASS INDUSTRIES (ZOUJAJ)**  
**(A SAUDI JOINT STOCK COMPANY)**  
**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

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**Independent Auditor's Report****To the Shareholders,****The National Company for Glass Industries (Zoujaj)**

(A Saudi Joint Stock Company)

Riyadh, Kingdom of Saudi Arabia

**Report on the Audit of the Financial Statements****Opinion**

We have audited the financial statements of the National Company for Glass Industries (the "Company"), which comprise the statement of financial position as at December 31, 2021 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

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

**Basis for Opinion**

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

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Independent Auditor's Report (Continued)**

**To the Shareholders,**

**The National Company for Glass Industries (Zoujaj)**

**Key Audit Matters (Continued)**

<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
<p><b><u>Revenue recognition</u></b></p> <p>Revenue from sale of customized products is recognized based on the units produced output method.</p> <p>We have considered this as a key audit matter as application of accounting standards for revenue recognition on the units produced output method basis involves significant scope for judgement by management, which has material impact on the financial statements.</p> <p>Refer to critical accounting judgements in note 4 (a), note 5.13 for revenue recognition policy and note 22 for more details of revenue.</p>	<p>We have performed the following procedure relating to revenue recognition:</p> <ul style="list-style-type: none"> <li>- Assessed the appropriateness of the Company's revenue recognition policy.</li> <li>- Assessed the appropriateness of significant accounting judgements made by management to determine whether the performance obligation is being satisfied over a period of time or at a point in time.</li> <li>- Assessed the design and implementation of the Company's controls over the revenue recognition process.</li> <li>- Tested the supporting documents for a sample of the revenue transactions.</li> <li>- Performed analytical procedures by comparing expectation of revenue for a sample of customers with actual revenue.</li> <li>- Performed cut off procedures to ensure that the revenue is recorded in the correct period.</li> <li>- Assessed the adequacy of the disclosures in the financial statements as per the relevant International Financial Reporting Standards.</li> </ul>

## Independent Auditor's Report (Continued)

**To the Shareholders,**

**The National Company for Glass Industries (Zoujaj)**

### **Key Audit Matters (Continued)**

Key audit matter	How the matter was addressed during our audit
<p><b><u>Investments in joint ventures - classification</u></b></p> <p>As of the date of statement of financial position, the Company has 55% investment each in Saudi Guardian International Float Glass Company Limited and Guardian Zoujaj International Float Glass Company LLC and 50% in The Saudi National Lamps and Electricals Company Limited (collectively called as "investees").</p> <p>The Company is required to make judgement whether it controls the investees by itself or jointly with other investors or has only significant influence over these investees. In performing that assessment, the Company assesses if it is exposed to variable returns from its investment in these investees and has the ability to affect those variable returns through its power over the investees.</p> <p>Consequence of assessment of control is the determination whether the Company is parent and hence should consolidate its investments or has significant influence or joint control and thus present the results of its investments in investees under equity method of accounting.</p> <p>Refer to critical accounting judgements in note 4 (a), note 5.4 for the accounting policy and note 8 for more details of these investments.</p>	<p>We have performed the following procedures relating to these investments:</p> <ul style="list-style-type: none"> <li>- Read the articles of association and the agreements between the Company and other investors.</li> <li>- Reviewed the management's assessment of the control over investee companies i.e. whether there is significant influence, joint control or control.</li> <li>- Evaluated the factual pattern on how the actual control is being exercised by each investor in the investee companies.</li> <li>- Assessed the adequacy of disclosures on key judgements involved in making the determination of control.</li> </ul>

### **Other matter**

The financial statements of the Company for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on March 9, 2021.

### **Other information**

Other information consists of the information included in the Company's 2021 annual report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. It is expected that the annual report to be available after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not and 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 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, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

To the Shareholders,

The National Company for Glass Industries (Zoujai)

**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 that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and Regulations for Companies and the Company's Bylaws and for such internal control as management determines is necessary to enable the preparation of the 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.

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- 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 auditor's 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

## Independent Auditor's Report (Continued)

To the Shareholders,

The National Company for Glass Industries (Zoujaj)

### Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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.

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

**Baker Tilly MKM & Co.**  
*Certified Public Accountants*



**Majed Moneer. Al Nemer**  
(License No. 381)  
Riyadh on 26 Sha'ban 1443 H  
Corresponding to 29 March 2022





THE NATIONAL COMPANY FOR GLASS INDUSTRIES (ZOUJAJ)  
(A SAUDI JOINT STOCK COMPANY)  
STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2021  
(Saudi Riyals)

	Notes	December 31, 2021	December 31, 2020 (Restated) (Note 33)	January 1, 2020 (Restated) (Note 33)
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	6	216,100,530	237,077,122	252,719,568
Right of use assets	7	1,836,606	2,009,725	2,182,844
Investments in joint ventures	8	460,892,677	389,004,147	409,788,770
<b>Total non-current assets</b>		<b>678,829,813</b>	<b>628,090,994</b>	<b>664,691,182</b>
<b>Current assets</b>				
Inventories	9	23,444,174	17,618,476	19,295,156
Prepayments and other debit balances	10	1,494,593	1,986,635	1,919,979
Contract assets	11	8,552,150	7,881,274	6,301,892
Trade receivables	12	40,625,002	27,436,765	36,457,785
Cash and cash equivalents	13	14,215,788	24,737,983	9,371,349
<b>Total current assets</b>		<b>88,331,707</b>	<b>79,661,133</b>	<b>73,346,161</b>
<b>Total assets</b>		<b>767,161,520</b>	<b>707,752,127</b>	<b>738,037,343</b>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
Share capital	14	329,000,000	329,000,000	329,000,000
Statutory reserve	15	98,700,000	98,700,000	98,700,000
Retained earnings		212,497,679	162,622,186	172,833,236
<b>Total equity</b>		<b>640,197,679</b>	<b>590,322,186</b>	<b>600,533,236</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Loans and borrowings	16	28,796,115	5,219,909	30,588,537
Lease liabilities	7	1,890,595	2,111,985	2,283,908
Employees' end of service benefits	17	6,124,978	6,991,358	9,122,531
<b>Total non-current liabilities</b>		<b>36,811,688</b>	<b>14,323,252</b>	<b>41,994,976</b>
<b>Current liabilities</b>				
Loans and borrowings	16	44,498,384	70,297,360	49,809,300
Lease liabilities	7	177,081	127,614	127,614
Contract liabilities	11	429,806	587,850	-
Trade payables	18	17,126,448	6,793,076	19,991,044
Accrued expenses and other credit balances	19	7,632,124	6,324,711	6,143,238
Zakat provision	20	6,715,753	5,400,413	5,715,549
Dividends payable	21	13,572,557	13,575,665	13,722,386
<b>Total current liabilities</b>		<b>90,152,153</b>	<b>103,106,689</b>	<b>95,509,131</b>
<b>Total liabilities</b>		<b>126,963,841</b>	<b>117,429,941</b>	<b>137,504,107</b>
<b>Total equity and liabilities</b>		<b>767,161,520</b>	<b>707,752,127</b>	<b>738,037,343</b>

CFO  
Hatem Ayedh Alfadli

Member of Board of Directors &  
Managing Director  
Bassam Mohammed Albassam

Chairman of Board of  
Directors  
Omar Riyadh Alhumaidan


The accompanying notes form an integral part of these financial statements

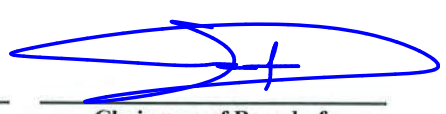


THE NATIONAL COMPANY FOR GLASS INDUSTRIES (ZOUJAJ)  
(A SAUDI JOINT STOCK COMPANY)  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
(Saudi Riyals)

	Notes	2021	2020 (Restated) (Note 33)
Revenue	22	86,933,383	73,304,693
Cost of revenue	23	(86,489,983)	(75,559,835)
<b>Gross profit / (loss)</b>		<b>443,400</b>	<b>(2,255,142)</b>
Selling and distribution expenses	24	(2,372,875)	(3,074,212)
General and administrative expenses	25	(9,797,476)	(9,542,691)
Impairment loss on financial assets	12	(5,108,160)	(954,349)
Other income	26	1,412,083	803,429
<b>Operating loss</b>		<b>(15,423,028)</b>	<b>(15,022,965)</b>
Finance cost	27	(2,534,965)	(3,403,306)
Share of profit from equity accounted joint ventures	8	73,239,898	10,242,897
<b>Profit / (loss) before zakat</b>		<b>55,281,905</b>	<b>(8,183,374)</b>
Zakat	20	(4,167,275)	(2,851,936)
<b>Net profit / (loss) for the year</b>		<b>51,114,630</b>	<b>(11,035,310)</b>
<b>Other Comprehensive Income</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Re-measurement gain of employees' end of service benefits	17	112,231	824,260
Share of other comprehensive loss from equity accounted joint ventures	8	(1,351,368)	-
<b>Total other comprehensive (loss) / income</b>		<b>(1,239,137)</b>	<b>824,260</b>
<b>Total comprehensive income / (loss)</b>		<b>49,875,493</b>	<b>(10,211,050)</b>
<b>Basic and diluted earnings / (loss) per share attributable to the shareholders of the Company</b>	29	<b>1.55</b>	<b>(0.34)</b>

  
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**THE NATIONAL COMPANY FOR GLASS INDUSTRIES (ZOUJAJ)**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**(Saudi Riyals)**

	Share capital	Statutory reserve	Retained earnings	Total
Balance as at January 1, 2020 (restated)	329,000,000	98,700,000	172,833,236	600,533,236
Net loss for the year (restated)	-	-	(11,035,310)	(11,035,310)
Other comprehensive income	-	-	824,260	824,260
Total comprehensive loss for the year	-	-	(10,211,050)	(10,211,050)
<b>Balance as on December 31, 2020 (restated)</b>	<b>329,000,000</b>	<b>98,700,000</b>	<b>162,622,186</b>	<b>590,322,186</b>
Net profit for the year	-	-	51,114,630	51,114,630
Other comprehensive loss	-	-	(1,239,137)	(1,239,137)
Total comprehensive income for the year	-	-	49,875,493	49,875,493
<b>Balance as at December 31, 2021</b>	<b>329,000,000</b>	<b>98,700,000</b>	<b>212,497,679</b>	<b>640,197,679</b>



**CFO**  
**Hatem Ayedh Alfadli**



**Member of Board of Directors &  
Managing Director**  
**Bassam Mohammed Albassam**




**Chairman of Board of Directors**  
**Omar Riyadh Alhumaidan**

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**THE NATIONAL COMPANY FOR GLASS INDUSTRIES (ZOUJAJ)**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**(Saudi Riyals)**

	2021	2020 (Restated)
<b>Cash flows from operating activities</b>		
Profit / (loss) before Zakat	55,281,905	(8,183,374)
<b>Adjustments for:</b>		
Depreciation of property, plant and equipment	28,651,137	27,149,376
Depreciation of right of use assets	173,119	173,119
Impairment loss of property, plant and equipment	1,417,647	-
Gain on modification of a financial liability	(1,068,168)	(355,727)
Inventories written off	3,034,079	2,448,872
Share of profit from equity accounted joint ventures	(73,239,898)	(10,242,897)
Gain on disposal of property, plant and equipment	(38,526)	(4,000)
Impairment loss on financial assets	5,108,160	954,349
Interest expense on lease liabilities	70,253	75,260
Employees' end of service benefits	775,526	1,027,971
	<u>20,165,234</u>	<u>13,042,949</u>
<b>Changes in working capital items:</b>		
Inventories	(8,859,777)	(772,192)
Prepayments and other debit balances	492,042	(66,656)
Contract assets	(670,876)	(1,579,382)
Trade receivables	(18,296,397)	8,066,671
Contract liabilities	(158,044)	587,850
Trade payables	10,333,372	(13,197,968)
Accrued expenses and other credit balances	1,307,413	181,473
<b>Cash generated from operating activities</b>	<u>4,312,967</u>	<u>6,262,745</u>
Employees' end of service benefits paid	(1,529,675)	(2,334,884)
Zakat paid	(2,851,935)	(3,167,072)
<b>Net cash flows (used in) / generated from operating activities</b>	<u>(68,643)</u>	<u>760,789</u>
<b>Cash flows from investing activities</b>		
Additions to property, plant and equipment	(9,092,192)	(11,506,930)
Proceeds from disposal of property, plant and equipment	38,526	4,000
Dividend received from joint ventures	-	31,027,520
<b>Net cash flows (used in) / generated from investing activities</b>	<u>(9,053,666)</u>	<u>19,524,590</u>
<b>Cash flows from financing activities</b>		
Net movement in loans and borrowings	(1,154,602)	(4,524,841)
Lease liabilities paid	(242,176)	(247,183)
Dividends paid	(3,108)	(146,721)
<b>Net cash flows used in financing activities</b>	<u>(1,399,886)</u>	<u>(4,918,745)</u>
<b>Net changes in cash and cash equivalents during the year</b>	<u>(10,522,195)</u>	<u>15,366,634</u>
Cash and cash equivalents at the beginning of the year	24,737,983	9,371,349
<b>Cash and cash equivalents at the end of the year</b>	<u>14,215,788</u>	<u>24,737,983</u>

  
**CFO**  
**Hatem Ayedh Alfadli**

  
**Member of Board of Directors &**  
**Managing Director**  
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**Omar Riyadh Alhumaidan**

The accompanying notes form an integral part of these financial statements

**THE NATIONAL COMPANY FOR GLASS INDUSTRIES (ZOUJAJ)**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**(Saudi Riyals)**

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**1. COMPANY INFORMATION AND PRINCIPAL ACTIVITIES**

The National Company for Glass Industries (Zoujaj) (hereinafter "The Company") is a Saudi Joint Stock company, established under the Commercial Register No. 1010075300 dated 20/6/1410 H (corresponding to January 17, 1990) in Riyadh, Kingdom of Saudi Arabia.

The registered address of the Company is building number 8317, unit number 5, Saudi Second Industrial City, PO Box 88646, Riyadh 11672, Kingdom of Saudi Arabia.

The principal activity of the Company is production and sale of returnable and non-returnable glass bottles and float glass.

The Company owns two factories in Riyadh and Dammam. Riyadh factory began its commercial production during the first quarter of 1991, while Dammam factory began its commercial production in January 1994.

The financial statements include the Company's accounts and its following branches:

<b>Branch name</b>	<b>CR Number</b>	<b>Issuance Location</b>	<b>Registration date</b>	<b>Activity</b>
The National Factory for Glass Bottles	1010088944	Riyadh	11/05/1412 (H)	Production of returnable and non-returnable glass bottles.
Dammam Factory for Glass Bottles	2050023369	Dammam	28/11/1412 (H)	Production of glass bottles.

**2. BASIS OF PREPARATION**

**a) Statement of compliance with IFRS**

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA") (here and after refer to "IFRS").

**b) Basis of measurement**

These financial statements have been prepared on a historical cost basis, except for the following:

- Defined benefit plan – measured at the present value of future obligations using the Project Unit Credit Method; and
- Investments in joint ventures – equity method of accounting

Furthermore, these financial statements are prepared using the accrual basis of accounting and the going concern basis.

**c) Functional and presentation currency**

These financial statements are presented in Saudi Riyals (SR), which is the Company's functional currency.



**THE NATIONAL COMPANY FOR GLASS INDUSTRIES (ZOUJAJ)**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
(Saudi Riyals)

**3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)**

**a) New and revised IFRSs applied with no material effect on the financial statements**

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2021, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Impact of the initial application of Interest Rate Benchmark Reform “Phase 2” – Amendment to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.
- Impact of the initial application of COVID-19-Related Rent Concessions beyond 30 June 2021—Amendment to IFRS 16.

**b) New and revised IFRSs in issue but not yet effective and not early adopted**

The Company has not yet early applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

<b>New and revised IFRSs</b>	<b>Effective for annual periods beginning on or after</b>
Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	Effective date deferred indefinitely
Amendments IFRS 3 <i>Business Combination</i> updating a reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16 <i>Property, Plant and Equipment</i> prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use	1 January 2022
Amendments to IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i> regarding the costs to include when assessing whether a contract is onerous	1 January 2022
Annual Improvements to IFRS (2018 – 2020 Cycle) amending IFRS 1, IFRS 9, IFRS 16 and IAS 41.	1 January 2022
Amendments to IAS 1 <i>Presentation of Financial Statements</i> regarding the classification of liabilities.	1 January 2023
Amendments to IAS 1 <i>Presentation of Financial Statements</i> and IFRS Practice Statement 2 <i>Making Materiality Judgements—Disclosure of Accounting Policies</i>	1 January 2023
IFRS 17 <i>Insurance Contracts</i> establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 <i>Insurance Contracts</i> .	1 January 2023
Amendments to IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates</i>	1 January 2023
Amendments to IAS 12 <i>Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company’s financial statements for the period of initial application. Adoption of these new standards, interpretations and amendments may have no material impact on the financial statements of the Company in the period of initial application.

**THE NATIONAL COMPANY FOR GLASS INDUSTRIES (ZOUJAJ)**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
(Saudi Riyals)

**4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

The Company makes certain judgements, estimates and assumptions regarding the future. Estimates and assumptions are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

**a) Judgements**

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the following notes:

**Control over investments**

The management has determined that the Company does not control its investments even though the Company owns 50% or more of the issued capital of the investments. The management has determined that the Company has a joint control over these investments, as it has been contractually agreed on sharing the control of these investments, in which all decisions about the relevant activities (activities that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing the control.

**Joint arrangement**

For all joint arrangements structured in separate vehicles the Company must assess the substance of the joint arrangement in determining whether it is classified as a joint venture or joint operation. This assessment requires the Company to consider whether it has rights to the joint arrangement's net assets (in which case it is classified as a joint venture), or rights to and obligations for specific assets, liabilities, expenses, and revenues (in which case it is classified as a joint operation). Factors the Company must consider include:

- Structure
- Legal form
- Contractual agreement
- Other facts and circumstances.

Upon consideration of these factors, the Company has determined that all of its joint arrangements structured through separate vehicles give it rights to the net assets and are therefore classified as joint ventures.

**Performance obligations and revenue recognition policies**

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognizes revenue when it transfers control over a good or service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, and the related revenue recognition policies.

<b>Type of product</b>	<b>Nature and timing of satisfaction of performance obligation</b>	<b>Revenue recognition policy</b>
Standard products	Customers obtain control of standard products when the products are made available to the customer and have been accepted.	Revenue is recognized when control of a product or service has transferred to the customer.
Customized products	The Company manufactures products for customers that have no alternative use and for which the Company has an enforceable right to payment for production completed to date. The Company has concluded that it has such enforceable right to payment once it receives an individual purchase order.	Revenue is recognized over time based on the units produced output method such that a portion of revenue, net of any related estimated rebates and cash discounts, excluding value added tax, will be recognized prior to the dispatch of products as the Company satisfies the contractual performance obligations for those contracts.

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**4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)**

**b) Assumptions and estimation uncertainties**

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the financial statements for the year ended December 31, 2021, are as follows:

**Useful lives of the property, plant and equipment**

An estimate of the useful lives of property, plant and equipment is made to calculate depreciation expense. Such estimate is made based on the expected useful lives of relevant assets.

The useful lives of the Company's assets are determined by management based on technical evaluation at the time the asset is acquired and reviewed annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events which may impact their life such as changes in technology (refer to note 5.2).

**Impairment loss on financial assets**

The Impairment loss on financial assets is based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

**Employees' end of service benefits**

Employee defined benefit liabilities are determined using an actuarial valuation which requires estimates and assumptions to be made of the various inputs. The principal actuarial assumptions are disclosed in note 17.

**Zakat**

Provision for zakat is made in accordance with Zakat, Tax and Customs Authority("ZATCA") rules and regulations and is charged to the statement of profit or loss and other comprehensive income. Adjustments arising from final Zakat assessments are recorded in the period in which such assessments are made. The management establishes provision based on the expected amount to be paid to ZATCA.

**Impairment of non-financial assets**

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary and may cause significant adjustments to the Company's assets within the next financial year.

**Provision for slow moving and obsolete inventories**

Management regularly undertakes a review of the Company's inventory to assess the likely realization proceeds, considering purchases and replacement prices, age and the physical condition of the inventory. Based on the assessment, assumptions are made as to the level of provisioning required.



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**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies applied by the Company in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**5.1 Current versus non-current classification**

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

**Assets are current when they are:**

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

All other assets are classified as "non-current".

**All liabilities are determined to be current when:**

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

All other liabilities are classified as "non-current".

**5.2 Property, plant, and equipment**

**Recognition and measurement**

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation, and any accumulated impairment loss. If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. All other repair and maintenance costs are recognized in the statement of profit or loss and other comprehensive income as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision is met.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal of an item of property, plant and equipment is recognized in the statement of profit or loss and other comprehensive income.

**Subsequent expenditure**

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

**Capital work in progress**

Capital work in progress is stated at cost and not depreciated. Depreciation on capital work in progress commences when the assets are ready for their intended use. When assets are ready for their intended use, they are transferred to property, plant and equipment or intangible assets. Finance costs on borrowings to finance the construction of qualified assets are capitalized during the period that is required to complete and prepare the asset for its intended use.

**Depreciation**

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognized in the statement of profit or loss and other comprehensive income. Land and capital work in progress are not depreciated.

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**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.2 Property, plant, and equipment (Continued)**

**Depreciation (Continued)**

The estimated depreciation rates based on the useful lives of the property, plant and equipment for current and comparative periods are as follows:

<b>Description</b>	<b>Depreciation rate</b>
Buildings	3-13%
Machines and equipment	5-25%
Furniture and fixtures	3-25%
Vehicles	10-25%
Moulds	10% or units of production whichever is higher

The residual values, useful lives, and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

**5.3 Leases**

The Company assesses whether a contract contains a lease, at the inception of the contract. For all such lease arrangements, the Company recognize right of use assets and lease liabilities except for the short-term leases and leases of low-value assets as follows:

**Right of use assets**

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right of use assets are subject to impairment.

**Lease liabilities**

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments, or a change in the assessment to purchase the underlying asset.

**Short-term leases**

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

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**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.4 Investments in joint ventures and associates**

An associate is an entity over which the company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties have joint control of the arrangement and right to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results of the associates or joint ventures are incorporated in these financial statements using the equity method of accounting by the Company. Under the equity method, an investment in an associate or a joint venture is initially recognized in the statement of financial position at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate or joint venture in the statement of profit or loss and other comprehensive income. When the Company's share of losses of an associate or a joint venture exceeds the Company's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate or joint venture), the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations for or made payments on behalf of the associate or joint venture.

If the associate or joint venture subsequently reports profits, the Company resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized. Investments made by the Company in the following companies is being accounted for using the equity method of accounting since the management has determined these to be joint ventures of the Company.

Investee company	Location	Share Holding	Activity
Saudi Guardian International Float Glass Company Limited (Gulf Guard)	Jubail, Saudi Arabia	55%	Production of Float Glass, Pattern Glass, Mirror, and coated glass.
Guardian Zoujaj International Float Glass Company LLC (Guardian Ras Al Khaimah)	Ras-Al-Khaimah, United Arab Emirates	55%	Production of glass sheets, mirror, reflective, enameled and insulant glass.
The Saudi National Lamps and Electricals Company Limited (SNLEC)*	Al-Hofuf, Saudi Arabia	50%	Production of lighting products.

\*The Company has discontinued the equity method of accounting SNLEC after its share of accumulated losses from the said joint venture exceeded the carrying value of its investment and the Company determined that there exists no further liability either legal or constructive which the Company might be liable to pay for.

**5.5 Impairment testing of non-financial assets**

The Company assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets (collectively known as a cash generating unit). When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.5 Impairment testing of non-financial assets (Continued)**

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

These calculations are corroborated by valuation multiples, quoted share prices for other publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of the continuing operations, if any, are recognized in the statement of profit or loss and other comprehensive income in the year in which such impairment arises and in the expense category consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such an indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited to the extent so as not to cause the carrying amount of the asset to exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss and other comprehensive income.

**5.6 Inventories**

Inventories are included in the financial statements at the lower of cost (including raw materials, direct labor, other direct costs and related production overheads) and net realizable value with due allowance for any obsolete or slow-moving items, products and damages as per the Company's policy. The cost of raw materials, consumables, spare parts, and finished goods is determined on a weightage average cost method.

**5.7 Financial instruments**

**Financial assets**

**Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

All financial assets are recognized initially at fair value plus, in the case of assets not at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

**Subsequent measurement**

The subsequent measurement of financial assets depends on their classification.

**Financial assets at amortized cost**

After initial measurement, financial assets at amortized cost are measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in the statement of profit or loss and other comprehensive income when the asset is derecognized, modified or impaired.

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**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.7 Financial instruments (Continued)**

**Financial assets (Continued)**

**Derecognition**

A financial asset is primarily derecognized when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

**Impairment of financial assets**

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Other financial assets such as cash and cash equivalents have low credit risk and the impact of applying ECL is immaterial.

**Financial liabilities**

**Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

**Subsequent measurement**

The subsequent measurement of financial liabilities depends on their classification as described below:

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**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.7 Financial instruments (Continued)**

**Financial liabilities (Continued)**

**Loans and borrowings**

After initial recognition, loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

**Derecognition**

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

**Offsetting of financial instruments**

Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position only if there is a current enforceable legal right to offset the recognized amounts and an intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

**5.8 Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at banks and cash in hand.

**5.9 Employees' end of service benefits**

**Short-term employee benefits**

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**Defined benefit plan**

The Company's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses (excluding finance expense) is recognized immediately in other comprehensive income. The Company determines the net finance expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net finance expenses and other expenses related to defined benefit plans are recognized in the statement of profit or loss and other comprehensive income.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in the benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the statement of profit or loss and other comprehensive income. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

**Other long-term employee benefits**

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to its present value and recognized as an expense in the statement of profit or loss in the period in which they arise.

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**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.10 Provisions and contingent liabilities**

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company, and amounts can be estimated reliably. The timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes or onerous contracts.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. In those cases, where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized, unless it was assumed in the course of a business combination.

A provision for restructuring is recognized when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided as a provision.

**5.11 Zakat**

The Company is subject to the regulations of Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia. Zakat provision is calculated based on the Zakat base of the Company. Any differences between the provision and the final assessment is recorded when the final assessment is approved. Provision for Zakat is charged to statement of profit or loss and other comprehensive income.

**5.12 Dividends**

Dividends are recognised as a liability at the time of their approval by the General Assembly.

**5.13 Revenue recognition**

The Company recognizes revenue from contracts with customers based on a five-step model as set out in IFRS 15.

Step 1: Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2: Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3: Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4: Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognize revenue when the Company satisfies a performance obligation.



**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.13 Revenue recognition (Continued)**

For customized products, the Company satisfies its performance obligation and recognizes revenue over a period of time. For other standard products, the Company recognized revenue at a point of time when control of a product or service has transferred to the customer.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms if payment and excluding taxed and duty.

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably.

**5.14 Cost of revenue**

Cost of revenue includes direct costs of sales, including costs of materials and overheads directly attributable to revenue.

**5.15 Selling and distribution and General and administrative expenses**

Selling and distribution, general and administrative expenses and other expenses include direct and indirect costs not specifically part of the cost of revenues. Allocations between cost of revenue and other operating expenses are made consistently when required.

**5.16 Foreign currency transactions and balances**

Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and the re-measurement of monetary items at year-end exchange rates are recognized in profit or loss.

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**6. PROPERTY, PLANT AND EQUIPMENT**

<u>Cost:</u>	Land	Buildings	Machines and equipment	Furniture and fixtures	Vehicles	Moulds	Capital work in Progress	Total
As at January 1, 2020 (restated)	5,000,000	95,348,026	395,240,763	9,090,529	1,785,019	14,505,722	536,508	521,506,567
Additions during the year	-	-	339,006	456,745	-	2,226,187	8,484,992	11,506,930
Transfers during the year	-	779,921	-	-	-	-	(779,921)	-
Disposals during the year	-	-	(189,000)	-	(33,800)	-	-	(222,800)
As at December 31, 2020 (restated)	5,000,000	96,127,947	395,390,769	9,547,274	1,751,219	16,731,909	8,241,579	532,790,697
Additions during the year	-	9,000	977,209	656,419	-	3,639,489	3,810,075	9,092,192
Transfers during the year	-	-	11,409,654	-	-	-	(11,409,654)	-
Disposals during the year	-	-	-	-	(124,630)	-	-	(124,630)
As at December 31, 2021	5,000,000	96,136,947	407,777,632	10,203,693	1,626,589	20,371,398	642,000	541,758,259
<u>Accumulated depreciation and impairment loss:</u>								
As at January 1, 2020 (restated)	-	42,657,982	207,613,611	7,644,582	1,785,015	9,085,809	-	268,786,999
Depreciation for the year (restated)	-	2,907,435	21,953,022	504,700	-	1,784,219	-	27,149,376
Disposals during the year	-	-	(189,000)	-	(33,800)	-	-	(222,800)
As at December 31, 2020 (restated)	-	45,565,417	229,377,633	8,149,282	1,751,215	10,870,028	-	295,713,575
Depreciation for the year	-	2,929,175	22,745,904	508,064	-	2,467,994	-	28,651,137
Impairment loss for the year (note 23)	-	-	-	-	-	1,417,647	-	1,417,647
Disposals during the year	-	-	-	-	(124,630)	-	-	(124,630)
As at December 31, 2021	-	48,494,592	252,123,537	8,657,346	1,626,585	14,755,669	-	325,657,729
<u>Net book value</u>								
As at December 31, 2021	5,000,000	47,642,355	155,654,095	1,546,347	4	5,615,729	642,000	216,100,530
As at December 31, 2020 (restated)	5,000,000	50,562,530	166,013,136	1,397,992	4	5,861,881	8,241,579	237,077,122
As at January 1, 2020 (restated)	5,000,000	52,690,044	187,627,152	1,445,947	4	5,419,913	536,508	252,719,568

- Refer note 16 for information on property, plant and equipment pledged as security by the Company.

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**6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

On December 18, 2019, the Company's management decided to permanently discontinue the operations of its Dammam Factory for Glass Bottles and committed to a plan to sell it as a disposal group. However, due to unavailability of some of the assets in the disposal group to be sold in their existing condition, the discontinued operations have not been reclassified out of property, plant and equipment. The carrying value of such assets as at December 31, 2021 is SR 11,758,506 (December 31, 2020: SR 14,118,821).

**7. RIGHT OF USE ASSETS AND LEASE LIABILITIES**

The Company has entered into lease agreements for two plots of land with the Saudi Authority for Industrial Cities and Technology Zones (MODON) for a long term that has been used in establishing the factory for the manufacturing of glass bottles and the administration office. The first contract is for a period of 19 years ending in 2032 AD and the second contract is for a period of 17 years ending in 2030 AD.

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>January 1, 2020</b>
		<b>(Restated)</b>	<b>(Restated)</b>
<b>Right of use assets:</b>			
Net book value at the beginning of the year	<b>2,009,725</b>	2,182,844	2,355,963
Depreciation during the year	<b>(173,119)</b>	(173,119)	(173,119)
<b>Net book value at the end of the year</b>	<b>1,836,606</b>	2,009,725	2,182,844
<b>Amount recognized in profit or loss:</b>			
Depreciation on right of use assets	<b>173,119</b>	173,119	173,119
Interest expense on lease liabilities (note 27)	<b>70,253</b>	75,260	80,122
	<b>243,372</b>	248,379	253,241
<b>Lease liabilities:</b>			
Current portion	<b>177,081</b>	127,614	127,614
Non-current portion	<b>1,890,595</b>	2,111,985	2,283,908
	<b>2,067,676</b>	2,239,599	2,411,522

**8. INVESTMENTS IN JOINT VENTURES**

The movement of investments in joint ventures during the year is as follows:

	<b>Guardian Ras Al Khaimah</b>	<b>Gulf Guard</b>	<b>SNLEC</b>	<b>Total</b>
As at January 1, 2020 (restated)	231,016,549	178,772,220	1	409,788,770
Share of (loss) / profit for the year (restated)	(17,130,733)	27,373,630	-	10,242,897
Dividend received during the year	-	(31,027,520)	-	(31,027,520)
As at December 31, 2020 (restated)	213,885,816	175,118,330	1	389,004,147
Share of profit for the year	30,140,652	43,099,246	-	73,239,898
Share of other comprehensive loss	-	(1,351,368)	-	(1,351,368)
<b>As at December 31, 2021</b>	<b>244,026,468</b>	<b>216,866,208</b>	<b>1</b>	<b>460,892,677</b>

The equity method of accounting for the investment in SNLEC has been discontinued as the Company's share of losses exceeded the investment's carrying value.

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**9. INVENTORIES**

	<b>December 31, 2021</b>	<b>December 31, 2020 (Restated)</b>	<b>January 1, 2020 (Restated)</b>
Spare parts	11,566,426	10,800,188	10,487,375
Goods in transit	5,766,188	-	-
Finished goods	4,656,177	5,297,088	7,807,042
Raw materials	3,623,979	3,526,942	3,092,484
Consumable items	1,361,158	1,470,128	1,412,672
Packing materials	465,740	390,078	396,628
Work in progress	-	129,546	94,449
<b>Gross value of inventories</b>	<b>27,439,668</b>	<b>21,613,970</b>	<b>23,290,650</b>
Provision for non-moving or slow-moving inventories	(3,995,494)	(3,995,494)	(3,995,494)
<b>Net value of inventories</b>	<b>23,444,174</b>	<b>17,618,476</b>	<b>19,295,156</b>

In addition to the above provision, a direct write off of SR 3,034,079 was recognized as expense under cost of revenue in 2021 (2020: 2,448,872) against the finished goods and raw materials that were not in usable condition (note 23).

**10. PREPAYMENT AND OTHER DEBIT BALANCES**

	<b>December 31, 2021</b>	<b>December 31, 2020 (Restated)</b>	<b>January 1, 2020 (Restated)</b>
Prepayments	628,344	1,197,529	1,159,925
Deposits	235,083	388,549	390,440
Value added tax	352,934	75,693	330,890
Supplier advances	278,232	324,864	38,724
	<b>1,494,593</b>	<b>1,986,635</b>	<b>1,919,979</b>

**11. ASSETS AND LIABILITIES RELATED TO CONTRACT WITH CUSTOMERS**

The Company has recognized the following assets and liabilities related to its contracts with customers:

	<b>December 31, 2021</b>	<b>December 31, 2020 (Restated)</b>	<b>January 1, 2020 (Restated)</b>
Contract assets related to sale of customized products	8,552,150	7,881,274	6,301,892
Contract liability related to advances received	225,152	587,850	-
Contract liability related to customer incentive for free products	204,654	-	-
<b>Total contract liabilities</b>	<b>429,806</b>	<b>587,850</b>	<b>-</b>

**12. TRADE RECEIVABLES**

	<b>December 31, 2021</b>	<b>December 31, 2020 (Restated)</b>	<b>January 1, 2020 (Restated)</b>
Trade receivables	46,978,099	28,681,702	36,748,373
Provision for expected credit losses	(6,353,097)	(1,244,937)	(290,588)
	<b>40,625,002</b>	<b>27,436,765</b>	<b>36,457,785</b>

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**12. TRADE RECEIVABLES (CONTINUED)**

**Movement in provision for expected credit losses is as follows:**

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>January 1, 2020</b>
At the start of the year	1,244,937	290,588	290,588
Charge for the year	5,108,160	954,349	-
At the end of the year	6,353,097	1,244,937	290,588

**13. CASH AND CASH EQUIVALENTS**

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>January 1, 2020</b>
		(Restated)	(Restated)
Cash with banks	14,202,123	24,722,983	9,371,349
Cash in hand	13,665	15,000	-
	14,215,788	24,737,983	9,371,349

**14. SHARE CAPITAL**

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>January 1, 2020</b>
		(Restated)	(Restated)
<b>Authorized &amp; issued</b>			
32,900,000 ordinary shares @ SR 10 each and fully paid	329,000,000	329,000,000	329,000,000

**15. STATUTORY RESERVES**

In accordance with the Saudi Companies' Regulations and the Company's Bylaws, the Company formed a non-distributable statutory reserve by transferring 10% of the annual net profit until the statutory reserve balance reached 30% of its share capital.

**16. LOANS AND BORROWINGS**

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>January 1, 2020</b>
		(Restated)	(Restated)
<b>Non-current portion of long-term loans:</b>			
Saudi Industrial Development Fund	24,547,202	-	30,588,537
Saudi Investment Bank	4,248,913	5,219,909	-
<b>Loans and borrowings – non-current</b>	28,796,115	5,219,909	30,588,537
<b>Current portion of long-term loans:</b>			
Saudi Industrial Development Fund	6,760,873	31,871,051	31,975,181
Saudi Investment Bank	1,699,565	1,491,403	-
	8,460,438	33,362,454	31,975,181
<b>Short term borrowings:</b>			
Saudi Investment Bank	18,678,911	20,037,727	-
Banque Saudi Fransi	17,359,035	16,897,179	17,834,119
	36,037,946	36,934,906	17,834,119
<b>Loans and borrowings – current</b>	44,498,384	70,297,360	49,809,300
<b>Total loans and borrowings</b>	73,294,499	75,517,269	80,397,837

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**16. LOANS AND BORROWINGS (CONTINUED)**

**The terms of Banque Saudi Fransi borrowings are as follows:**

The Company has signed a Tawaruq / Murabaha Financing letter of agreement of SR 26,000,000 (working capital facility—SR 10,000,000 and Dividend loan facility—SR 16,000,000). The said facility has a carrying amount of SR 17,359,035 as of December 31, 2021 (December 31, 2020: SR 16,897,179).

The facility for working capital is charged at SAIBOR + predetermined rate per annum on utilized balance (tenor of 270 days) under Tawaruq or Murabaha for direct payments to suppliers. The carrying amount of the working capital facility is SR 9,359,035 as of December 31, 2021 (December 31, 2020: SR 8,897,179). The facility for dividend payment is charged at SAIBOR + predetermined rate per annum on utilized balance (tenor of 360 days) under Tawaruq. The carrying amount of the dividend payment facility as of December 31, 2021 is SR 8,000,000 (December 31, 2020: SR 8,000,000).

The Company has issued an order note of SR 26,000,000 effective from the signing of this financing letter of agreement.

**The terms of Saudi Industrial Development funds are as follow:**

The Company has obtained a long-term loan of SR 108,500,000 for expanding its production capacity of glass bottles at a predetermined rate per annum and follow up charges determined by the lender based on certain evaluations.

The Company entered into a rescheduling agreement with the Saudi Industrial Development Fund whereby the remaining amount due under the facility is repayable in 4 unequal installments ending by Safar 15, 1445 H corresponding to August 31, 2023.

The facility has a carrying amount of SR 31,308,075 as of December 31, 2021 (December 31, 2020: SR 31,871,051). The loan has been taken against mortgage of property, plant and equipment of the Company, except for land, which will be released after satisfaction of the obligations under the loan agreement. The Company has issued an order note against this loan effective from signing of the facility.

**The terms of Saudi Investment Bank are as follow:**

The Company has signed a Murabaha / Tawaruq facilities letter of agreement for SR 38,000,000 out of which SR 8,000,000 is for capital expenditure and SR 30,000,000 for working capital at SAIBOR + predetermined rate per annum. These facilities have carrying amounts of SR 5,948,478 as of December 31, 2021 (December 31, 2020: SR 6,711,312) for capital expenditure and SR 18,678,911 as of December 31, 2021 (December 31, 2020: SR 20,037,727) for working capital. The facility for capital expenditure is repayable in 9 equal semi-annual installments whereas the working capital loan has to be settled over a period of 270 days. The Company has issued an order note of SR 36,798,259 effective from the signing this facility.

**17. EMPLOYEES' END OF SERVICE BENEFITS**

The Movement in employee's end of service benefits' during the year is as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>January 1, 2020</b>
		<b>(Restated)</b>	<b>(Restated)</b>
At the start of the year	<b>6,991,358</b>	9,122,531	10,911,464
Costs recognized in profit or loss	<b>775,526</b>	1,027,971	1,312,189
Benefits paid to outgoing / existing members	<b>(1,529,675)</b>	(2,334,884)	(2,366,717)
Remeasurement gain recognised in OCI	<b>(112,231)</b>	(824,260)	(734,405)
At the end of the year	<b>6,124,978</b>	6,991,358	9,122,531

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>January 1, 2020</b>
Discount Rate	<b>1.85%</b>	1.40%	2.80%
Long term salary Increase rate	<b>1.85%</b>	1.40%	2.80%
Employees' turnover rate	<b>Heavy</b>	Heavy	Moderate

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**17. EMPLOYEES' END OF SERVICE BENEFITS (CONTINUED)**

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>January 1, 2020</b>
Discount rate +0.5%	5,982,960	6,818,455	8,853,192
Discount rate -0.5%	6,274,959	7,173,986	9,409,372
Long term Salary Increases +0.5%	6,293,454	7,200,937	9,395,270
Long term Salary Increases -0.5%	5,963,829	6,790,923	8,863,667

Analysis of remeasurement gain recognised in other comprehensive income during the year:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>January 1, 2020</b>
Due to change in financial assumptions	17,028	(74,753)	32,512
Due to change in demographic assumptions	(12,950)	(198,921)	-
Due to change in experience adjustments	(116,309)	(550,586)	(766,917)
	<b>(112,231)</b>	<b>(824,260)</b>	<b>(734,405)</b>

**18. TRADE PAYABLES**

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>January 1, 2020</b>
		<b>(Restated)</b>	<b>(Restated)</b>
Trade payables	17,126,448	6,793,076	19,991,044

**19. ACCRUED EXPENSES AND OTHER CREDIT BALANCES**

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>January 1, 2020</b>
		<b>(Restated)</b>	<b>(Restated)</b>
Deposits from customers	2,422,483	1,165,003	641,402
Accrued employee benefits	1,876,162	1,832,490	1,462,964
Bonus to board of directors	1,600,000	1,600,000	1,600,000
Utilities	757,508	621,244	599,180
Freight	179,788	121,989	127,969
Withholding taxes payable	3,588	1,051	266,404
Other liabilities	792,595	982,934	1,445,319
	<b>7,632,124</b>	<b>6,324,711</b>	<b>6,143,238</b>

**20. ZAKAT**

**Zakat calculation**

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>January 1, 2020</b>
		<b>(Restated)</b>	<b>(Restated)</b>
Net profit / (loss) before Zakat	55,281,905	5,809,969	(26,685,732)
Adjustments on the net profit / (loss)	5,883,686	(9,419,455)	(12,456,120)
Net adjusted profit / (loss)	61,165,591	(3,609,486)	(39,141,852)
Additions	658,064,372	671,743,898	763,751,295
Deductions	(690,396,239)	(633,205,269)	(691,827,675)
Zakat base	28,833,724	36,235,537	32,781,768
Accrued Zakat for the Company	1,644,958	905,889	875,988
Accrued Zakat for Guardian Ras Al Khaimah	2,522,317	1,946,047	2,291,082
Total	<b>4,167,275</b>	<b>2,851,936</b>	<b>3,167,070</b>



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**20. ZAKAT (CONTINUED)**

The main elements of the Zakat base for Guardian Zoujaj International Float Glass Company LLC (Guardian Ras Al Khaimah):

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>January 1, 2020</b>
		(Restated)	(Restated)
The Funds subject to Zakat	<b>447,550,412</b>	494,738,576	461,520,098
Funds deducted from the base	<b>(329,663,946)</b>	(332,224,886)	(303,275,000)
Zakat base	<b>117,886,466</b>	162,513,690	158,245,098
Adjusted profits / (losses)	<b>58,552,571</b>	(28,267,034)	(6,270,000)
The Company's share in the Zakat base (55%)	<b>64,837,556</b>	89,382,530	87,034,804
Accrued Zakat	<b>2,522,317</b>	1,946,047	2,291,082

**Movement during the year:**

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>January 1, 2020</b>
		(Restated)	(Restated)
As at the start of the year	<b>5,400,413</b>	5,715,549	6,551,379
Charge for the year	<b>4,167,275</b>	2,851,936	3,167,070
Payment during the year	<b>(2,851,935)</b>	(3,167,072)	(4,002,900)
As at the end of the year	<b>6,715,753</b>	5,400,413	5,715,549

**Zakat status:**

The Company has filed its Zakat returns with Zakat, Tax and Customs Authority ("ZATCA") and obtained Zakat certificates up to the year 2020. The Company finalized its Zakat returns and received final Zakat certificate till the year ended 2018. The Company received letter of amendment of the Zakat returns from ZATCA for the years 2019 and 2020. The value of Zakat variances amounted to SR 1.8 million. The Company is planning to submit an objection request to the General Secretariat of Zakat, Tax and Customs Committees. The Company's management believes that the outcome of the objection will be in its favour.

**21. DIVIDENDS PAYABLE**

The balance represents dividends payable to the shareholders for prior years, in which the shareholders did not present to receive it until the date of the financial statements.

**22. REVENUE**

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
		(Restated)
Gross revenue	<b>87,138,037</b>	73,791,516
Discounts	<b>(204,654)</b>	(486,823)
Net revenue	<b>86,933,383</b>	73,304,693

The break-up of revenue recognized over a period of time and at a point in time is as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
		(Restated)
Over a period of time	<b>70,322,252</b>	58,840,415
At a point in time	<b>16,611,131</b>	14,464,278
	<b>86,933,383</b>	73,304,693

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**23. COST OF REVENUE**

	<b>December 31, 2021</b>	<b>December 31, 2020 (Restated)</b>
Materials consumed	24,720,457	22,256,716
Depreciation of property, plant and equipment	28,052,476	26,589,426
Salaries and wages	14,851,548	12,401,344
Utility expense	10,349,189	9,205,187
Repair and maintenance	3,284,305	2,220,404
Inventories written off *	3,034,079	2,448,872
Impairment loss on moulds (note 6)	1,417,647	-
Others	780,282	437,886
	<b>86,489,983</b>	<b>75,559,835</b>

\*The inventories written off during the year include finished goods valuing SR 2,762,379 (2020: 2,064,259) and raw materials valuing SR 271,700 (2020: 384,613) (note 9).

**24. SELLING AND DISTRIBUTION EXPENSES**

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Transportation expense	1,142,485	2,565,267
Salaries and wages	831,854	344,852
Depreciation of property, plant and equipment	53,834	52,461
Other miscellaneous expense	344,702	111,632
	<b>2,372,875</b>	<b>3,074,212</b>

**25. GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>December 31, 2021</b>	<b>December 31, 2020 (Restated)</b>
Salaries and wages	4,572,197	4,755,301
Directors' expense	1,885,150	1,824,850
Repair and maintenance	766,199	738,419
Subscription and fees	656,207	592,281
Depreciation of property, plant and equipment	544,827	507,489
Utility expense	195,113	173,269
Other miscellaneous expense	1,177,783	951,082
	<b>9,797,476</b>	<b>9,542,691</b>

**26. OTHER INCOME**

	<b>December 31, 2021</b>	<b>December 31, 2020 (Restated)</b>
Gain on modification of a financial liability	1,068,168	355,727
Scrap sales	208,048	329,885
Gain on disposal of property, plant and equipment	38,526	4,000
Other miscellaneous income	97,341	113,817
	<b>1,412,083</b>	<b>803,429</b>

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**27. FINANCE COST**

	<b>December 31, 2021</b>	<b>December 31, 2020</b> (Restated)
Interest on loans and borrowings	2,333,440	2,954,281
Interest on employees' end of service benefits	98,360	258,355
Interest on lease liabilities (note 7)	70,253	75,261
Foreign currency exchange loss	32,912	115,409
	<b>2,534,965</b>	<b>3,403,306</b>

**28. RELATED PARTY TRANSACTIONS**

Related parties include joint ventures and key management personnel of the Company. The Company in the normal course of business carries out transactions with its related parties. Related parties' transactions are carried out on an arm's length basis and conditions approved either by the Company or its board of directors.

During the year, the transactions carried out with the related parties only comprise of the remuneration and other allowances of the key management personnel. Members of the Board of Directors do not receive any remuneration for their role in managing the Company unless approved by the General Assembly. Members of the Board of Directors receive an attendance allowance for Board and Board Committee meetings. Executive Director receives fixed remuneration as a result of his direct duties and responsibilities. The top six Senior Executives, including the Managing Director and the Financial Manager, receive remuneration according to the employment contracts signed with them. The following table illustrates details of remuneration and compensation of directors and key management personnel:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Salaries	1,755,800	1,431,800
Annual bonus	1,600,000	1,600,000
Other allowances	620,377	512,956
Compensation for attending meetings	285,150	227,850
	<b>4,261,327</b>	<b>3,772,606</b>

**29. EARNINGS PER SHARE**

Basic earnings per share is calculated by dividing the net profit for the year attributable shareholders of the Company over the weighted average number of outstanding ordinary shares during the period.

There were no diluted shares outstanding at any time during the year, therefore, the diluted earnings per share is equal to the basic earnings per share.

	<b>December 31, 2021</b>	<b>December 31, 2020</b> (Restated)
Net profit / (loss) attributable to the shareholders of the Company	51,114,630	(11,035,310)
Weighted average number of outstanding shares during the year	32,900,000	32,900,000
Basic and diluted earnings / (losses) per share	<b>1.55</b>	<b>(0.34)</b>

**30. CONTINGENCIES & COMMITMENTS**

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Letter of guarantee	227,812	227,812

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**31. SEGMENT INFORMATION**

A segment is a separate and distinct part of the Company that engages in business activities from which it may earn revenues and incur expenses. The operating segments are disclosed on the basis of internal reports that are reviewed by the chief operating decision-maker, who is responsible for allocating resources, assessing performance and making strategic decisions about the operating segments. The operating sectors that show similar economic characteristics, products, services, and similar customer categories, whenever possible, are grouped and recorded as segments that are reported in accordance with International Financial Reporting Standard (8) "Operating Segments".

The principal activity of the Company is production and sale of glass bottles. The Company has factories situated in Riyadh and Dammam, Saudi Arabia. However, the factory in Dammam, was permanently discontinued in the financial year ended 2019.

The financial information about these reportable segments is as follows:

**December 31, 2021**

	<b>Riyadh factory</b>	<b>Dammam factory</b>	<b>Total</b>
Revenue	86,933,383	-	86,933,383
Depreciation on property, plant and equipment	26,290,822	2,360,315	28,651,137
Total assets	755,403,014	11,758,506	767,161,520
Total liabilities	126,963,841	-	126,963,841

**December 31, 2020 (restated)**

	<b>Riyadh factory</b>	<b>Dammam factory</b>	<b>Total</b>
Revenue	73,304,693	-	73,304,693
Depreciation on property, plant and equipment	24,781,061	2,368,315	27,149,376
Total assets	693,633,306	14,118,821	707,752,127
Total liabilities	117,429,941	-	117,429,941

The following is a summary of annual revenue inside and outside the Kingdom of Saudi Arabia:

	<b>2021 SAR</b>	<b>2021 %</b>	<b>2020 SAR</b>	<b>2020 %</b>
			(Restated)	(Restated)
Inside the Kingdom of Saudi Arabia	56,718,892	65%	58,021,131	79%
Outside the Kingdom of Saudi Arabia	30,214,491	35%	15,283,562	21%
	86,933,383	100%	73,304,693	100%

**32. FINANCIAL INSTRUMENTS**

The Company is exposed through its operations to the following financial risks:

- Credit risk
- Commission rate risk
- Currency risk; and
- Liquidity risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies, and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

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**32. FINANCIAL INSTRUMENTS (CONTINUED)**

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

**Principal financial instruments**

The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

- Contract assets
- Trade receivables
- Cash and cash equivalents
- Contract liabilities
- Trade payables
- Loans and borrowings
- Lease liabilities
- Other debit and credit balances

**Fair value and fair value hierarchy**

The Company measures financial instruments at fair value at each statement of financial position date wherever such measurement is required by applicable financial reporting framework or the Company has a choice and it has chosen to do so under permitted accounting policies or where the Company is required to disclose the fair value in these financial 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 presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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**32. FINANCIAL INSTRUMENTS (CONTINUED)**

**Fair value and fair value hierarchy (continued)**

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Company determines the policies and procedures for both recurring fair value measurement and non-recurring measurement. External valuers are involved in the valuation of significant assets. The involvement of external valuers is decided by the Company after discussion with the Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Company decides, after discussions with its external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the Company analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, the Company verifies the major inputs applied in the latest valuation by agreeing with the information in the valuation computation to contracts and other relevant documents. The Company also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For fair value disclosures, the Company has determined classes of assets and liabilities based on the nature, characteristics, and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

**Financial instruments by category**

**Financial assets / liabilities at amortized cost:**

**Financial assets:**

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>January 1, 2020</b>
		(Restated)	(Restated)
Contract assets	<b>8,552,150</b>	7,881,274	6,301,892
Trade receivables	<b>40,625,002</b>	27,436,765	36,457,785
Cash and cash equivalents	<b>14,215,788</b>	24,737,983	9,371,349
Other debit balances	<b>235,083</b>	388,549	390,440
<b>Total financial assets</b>	<b>63,628,023</b>	60,444,571	52,521,466

**Financial liabilities:**

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>January 1, 2020</b>
		(Restated)	(Restated)
<b>Non-current:</b>			
Loans and borrowings	<b>28,796,115</b>	5,219,909	30,588,537
Lease liabilities	<b>1,890,595</b>	2,111,985	2,283,908
<b>Current:</b>			
Loans and borrowings	<b>44,498,384</b>	70,297,360	49,809,300
Contract liabilities	<b>429,806</b>	587,850	-
Trade payables	<b>17,126,448</b>	6,793,076	19,991,044
Lease liabilities	<b>177,081</b>	127,614	127,614
Other credit balances	<b>7,628,536</b>	6,323,660	5,876,834
<b>Total financial liabilities</b>	<b>100,546,965</b>	91,461,454	108,677,237

There are no financial instruments being carried at fair value in these financial statements as at December 31, 2021, 2020 and 2019.

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**32. FINANCIAL INSTRUMENTS (CONTINUED)**

**General objectives, policies and processes**

The Board has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Board receives monthly reports from the Company's Finance Manager through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below:

**Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is mainly exposed to credit risk from credit sales. It is the policy of the Company, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings are taken into account by local business practices.

The Company has established a credit policy under which each new customer is analyzed individually for credit worthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Managing Director.

The Company determines concentrations of credit risk by quarterly monitoring the creditworthiness rating of existing customers and through a monthly review of the trade receivables' ageing analysis. In monitoring the customers' credit risk, customers are grouped according to their credit characteristics. Customers that are graded as "high risk" are placed on a restricted customer list, and future credit sales are made only with payment in advance.

Credit risk also arises from cash balances maintained with banks and financial institutions.

The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized at the reporting date, as summarized below:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>January 1, 2020</b>
		<b>(Restated)</b>	<b>(Restated)</b>
Contract assets	<b>8,552,150</b>	7,881,274	6,301,892
Trade receivables	<b>40,625,002</b>	27,436,765	36,457,785
Cash and bank balances	<b>14,215,788</b>	24,737,983	9,371,349
Other debit balances	<b>235,083</b>	388,549	390,440
	<b>63,628,023</b>	<b>60,444,571</b>	<b>52,521,466</b>

The carrying amount of financial assets represents the maximum credit exposure. Credit risk on receivable and bank balances is limited as:

- Cash balances are held with banks with sound credit ratings.
- Trade receivables and contract assets are shown net of allowance for impairment of loss.



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**32. FINANCIAL INSTRUMENTS (CONTINUED)**

**General objectives, policies and processes (Continued)**

**Credit risk (Continued)**

The Company manages credit risk with respect to receivables from customers by monitoring in accordance with defined policies and procedures. The Company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables on an ongoing basis. Trade receivables outstanding balance as at December 31, 2021, comprises of 51% from customers within the Kingdom of Saudi Arabia and 49% from customers outside the Kingdom of Saudi Arabia. The ageing of trade receivables into different age brackets and corresponding expected credit losses at the year ends were as follows:

**December 31, 2021**

	<b>Gross carrying value</b>	<b>Expected credit losses</b>	<b>Net carrying value</b>
Neither past due nor impaired	24,235,492	27,342	24,208,150
Past due 1-30 days	4,806,444	31,266	4,775,178
Past due 31-90 days	5,009,023	103,433	4,905,590
Past due 91-180 days	3,268,081	263,016	3,005,065
Past due 181-365 days	2,968,971	207,976	2,760,995
Past due over 365 days	6,690,088	5,720,064	970,024
<b>Total</b>	<b>46,978,099</b>	<b>6,353,097</b>	<b>40,625,002</b>

**December 31, 2020**

	<b>Gross carrying value</b>	<b>Expected credit losses</b>	<b>Net carrying value</b>
Neither past due nor impaired	11,416,331	-	11,416,331
Past due 1-30 days	6,090,611	105,821	5,984,790
Past due 31-90 days	947,417	7,011	940,406
Past due 91-180 days	1,319,872	22,495	1,297,377
Past due 181-365 days	1,648,390	306,354	1,342,036
Past due over 365 days	7,259,081	803,256	6,455,825
<b>Total</b>	<b>28,681,702</b>	<b>1,244,937</b>	<b>27,436,765</b>

**January 1, 2020**

	<b>Gross carrying value</b>	<b>Expected credit losses</b>	<b>Net carrying value</b>
Neither past due nor impaired	14,838,052	-	14,838,052
Past due 1-30 days	3,925,486	31,595	3,893,891
Past due 31-90 days	6,340,943	51,036	6,289,907
Past due 91-180 days	1,189,188	9,571	1,179,617
Past due 181-365 days	1,330,354	10,708	1,319,646
Past due over 365 days	9,124,350	187,678	8,936,672
<b>Total</b>	<b>36,748,373</b>	<b>290,588</b>	<b>36,457,785</b>

The Company monitors the credit ratings of counterparties regularly and at the reporting date does not expect any losses from non-performance by the counterparties. For all financial assets to which the impairment requirements have not been applied, the carrying amount represents the maximum exposure to credit loss.

**Commission rate risk**

Commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market commission rates. The Company has no significant variable commission bearing long-term assets, but has variable commission bearing liabilities as at December 31, 2021 and 2020. The Company manages its exposure to commission rate risk by continuously monitoring movements in commission rates.

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**32. FINANCIAL INSTRUMENTS (CONTINUED)**

**General objectives, policies and processes (Continued)**

**Currency risk**

Currency risk is the risk that the value of the financial instruments will fluctuate due to changes in the foreign exchange rates. Currency risk arises from recognized assets and liabilities which are denominated in currency that is not the Company's functional currency. The Company does not believe that it is substantially exposed to currency risk as the majority of the Company's transactions and balances are denominated in Saudi Riyals or U.S. Dollar. The Company's functional currency is pegged to U.S. Dollar. The Company's transactions in currencies other than the Saudi Riyals or U.S. Dollars are not significant.

**Liquidity risk**

Liquidity risk represents the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities.

The Company's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to meet the obligations, monitoring of liquidity ratios and maintaining debt financing plans.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the financial position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

**December 31, 2021**

	Up to 1 year	More than 1 year and up to 5 years	More than 5 years	No fixed maturity	Total
Loans and borrowings	45,476,141	29,156,792	-	-	74,632,933
Lease liabilities	242,176	968,704	1,296,743	-	2,507,623
Employees' end of service benefits	-	-	-	6,124,978	6,124,978
Trade payables	17,126,448	-	-	-	17,126,448
Zakat provision	6,715,753	-	-	-	6,715,753
Accrued expenses and other credit balances	5,859,289	-	-	1,772,835	7,632,124
Dividends payable	-	-	-	13,572,557	13,572,557
<b>Total</b>	<b>75,419,807</b>	<b>30,125,496</b>	<b>1,296,743</b>	<b>21,470,370</b>	<b>128,312,416</b>

**December 31, 2020**

	Up to 1 year	More than 1 year and up to 5 years	More than 5 years	No fixed maturity	Total
Loans and borrowings	70,228,575	5,819,713	-	-	76,048,288
Lease liabilities	242,176	968,704	1,507,082	-	2,717,962
Employees' end of service benefits	-	-	-	6,991,358	6,991,358
Trade payables	6,793,076	-	-	-	6,793,076
Zakat provision	5,400,413	-	-	-	5,400,413
Accrued expenses and other credit balances	4,596,289	-	-	1,728,422	6,324,711
Dividends payable	-	-	-	13,575,665	13,575,665
<b>Total</b>	<b>87,260,529</b>	<b>6,788,417</b>	<b>1,507,082</b>	<b>22,295,445</b>	<b>117,851,473</b>

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**32. FINANCIAL INSTRUMENTS (CONTINUED)**

**General objectives, policies and processes (Continued)**

**Liquidity risk (Continued)**

**January 1, 2020**

	Up to 1 year	More than one year and up to five years	More than five years	No fixed maturity	Total
Loans and borrowings	41,689,113	38,963,244	-	-	80,652,357
Lease liabilities	242,176	968,704	1,781,095	-	2,991,975
Employees' end of service benefits	-	-	-	9,122,531	9,122,531
Trade payables	19,991,044	-	-	-	19,991,044
Zakat provision	3,167,072	-	-	2,548,477	5,715,549
Accrued expenses and other credit balances	4,778,144	-	-	1,365,094	6,143,238
Dividends payable	-	-	-	13,722,386	13,722,386
<b>Total</b>	<b>69,867,549</b>	<b>39,931,948</b>	<b>1,781,095</b>	<b>26,758,488</b>	<b>138,339,080</b>

**33. PRIOR YEARS' ADJUSTMENTS**

The Company has restated its comparative financial statements and the impact is stated as follows:

**The following is a summary of the adjustments to the statement of financial position as at January 1, 2020:**

	Note	January 1, 2020 (Audited)	Reclassification	Remeasurement	January 1, 2020 (Restated)
Property, plant and equipment	A	238,448,050	-	14,271,518	252,719,568
Investment in joint ventures	B	410,246,037	-	(457,267)	409,788,770
Non-current assets held for sale	A	16,487,138	-	(16,487,138)	-
Inventories	C	24,371,421	-	(5,076,265)	19,295,156
Contract assets	C	-	-	6,301,892	6,301,892
Prepayments and other debit balances	K	1,589,089	330,890	-	1,919,979
Loans and borrowings	D, K	(78,714,119)	(861,533)	(822,185)	(80,397,837)
Accrued expenses and other credit balances	E, K	(4,807,477)	530,643	(1,866,404)	(6,143,238)
Provision for special obligation	F	(10,744,543)	-	10,744,543	-
Retained earnings		(166,224,542)	-	(6,608,694)	(172,833,236)

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**33. PRIOR YEARS' ADJUSTMENTS (CONTINUED)**

The following is a summary of the adjustments to the statement of financial position as at December 31, 2020:

	Note	December 31, 2020 (Audited)	Reclassification	Remeasurement	December 31, 2020 (Restated)
Property, plant and equipment	A	224,689,701	-	12,387,421	237,077,122
Non-current assets held for sale	A	16,487,138	-	(16,487,138)	-
Inventories	C	24,171,540	-	(6,553,064)	17,618,476
Contract assets	C	-	-	7,881,274	7,881,274
Trade receivables	K	26,848,915	587,850	-	27,436,765
Prepayments and other debit balances	K	1,910,942	75,693	-	1,986,635
Loans and borrowings	D, K	(74,709,854)	(218,533)	(588,882)	(75,517,269)
Contract liabilities	K	-	(587,850)	-	(587,850)
Accrued expenses and other credit balances	E, K	(4,867,551)	142,840	(1,600,000)	(6,324,711)
Retained earnings		(167,582,575)	-	4,960,389	(162,622,186)

The following is a summary of the adjustments to the statement of profit or loss and other comprehensive income for the year ended December 31, 2020:

	Note	December 31, 2020 (Audited)	Reclassification	Remeasurement	December 31, 2020 (Restated)
Revenue	C	71,725,310	-	1,579,383	73,304,693
Cost of revenue	C, K	(69,750,066)	(2,448,872)	(3,360,897)	(75,559,835)
Inventories written off	K	(2,448,872)	2,448,872	-	-
General and administrative expenses	G, K	(8,879,947)	954,349	(1,617,093)	(9,542,691)
Impairment loss on financial assets	K	-	(954,349)	-	(954,349)
Other income	I	172,941	-	630,488	803,429
Finance cost	H	(3,274,217)	-	(129,089)	(3,403,306)
Share of profit from equity accounted joint ventures	B	9,785,630	-	457,267	10,242,897
Reversal of provision for special obligation	F	10,744,543	-	(10,744,543)	-
Loss from discontinued operation	J	(15,401)	-	15,401	-
Net profit for the year		2,133,773	-	(13,169,083)	(11,035,310)

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**33. PRIOR YEARS' ADJUSTMENTS (CONTINUED)**

- A.** Property, plant and equipment has been adjusted due to remeasurement of the depreciation expense related to the moulds, reversal of the excessively capitalized borrowing cost and clubbing of non-current assets held for sale under property, plant and equipment.
- B.** Investments in joint ventures accounted using the equity method have been retrospectively adjusted due to the difference in the amount of the Company's share of the results of the joint ventures which represents less than 1% of the investments' balance.
- C.** The remeasurement represents the recognition of revenue over a period of time instead of at a point in time and accordingly, recognition of cost of revenue in statement of profit or loss and other comprehensive income and contract asset in statement of financial position for performance obligations satisfied against which the Company's right to bill has not risen as of year-end.
- D.** The remeasurement represents the impact of recognizing interest expense using the effective interest rate method instead of straight-line method and modification of financial liability.
- E.** The remeasurement represents a restatement related to accrued expenses for prior year.
- F.** The remeasurement represents the reversal of the income recognized in the year ended December 31, 2020 which was supposed to be recognized in the year ended December 31, 2019.
- G.** Remeasurement represents the recognition of bonus paid to directors as an expense instead of a direct adjustment to the equity, reversal of an expense which pertained to the prior year and re-clubbing of the results of discontinued operations to other incomes and expenses.
- H.** The remeasurement represents the impact of recognizing interest expense using effective interest rate method instead of straight-line method.
- I.** The remeasurement represents the impact of recognition of gain on modification of financial liability.
- J.** The remeasurement represents the re-clubbing of loss from discontinued operations with other incomes and expenses.
- K.** Certain comparative figures have been reclassified to comply with the current year presentation of these financial statements.

**34. SUBSEQUENT EVENTS**

The Board of Directors of the Company in its meeting held on January 2, 2022, approved to distribute cash dividends to the shareholders of the Company amounting to SR 16.45 million for the year ended December 31, 2021, at 0.5 SR per share.

**35. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements have been approved by the Board of Directors on Sha'ban 26, 1443H (corresponding to March 29, 2022).