

SAUDI INDUSTRIAL DEVELOPMENT COMPANY (SIDC)
(A Saudi Joint Stock Company)

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
AND INDEPENDENT AUDITOR'S REPORT**

SAUDI INDUSTRIAL DEVELOPMENT COMPANY (SIDC)
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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Independent Auditor's Report

To the Shareholders of Saudi Industrial Development Company (SIDC)
(A Saudi Joint Stock Company)

Qualified opinion

We have audited the consolidated financial statements of **Saudi Industrial Development Company (SIDC) (A Saudi Joint Stock Company) ("The Parent Company") and its subsidiaries ("The Group")** which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the accompanying notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for qualified opinion

The Group's consolidated financial statement includes the financial statement of the Subsidiary company, Arabian Spring and Foam Mattresses Manufacturing Ltd. (Sleep High Egypt) ("The Subsidiary") for the year ended December 31, 2021. The total property, plant and equipment of the subsidiary amounted to 7,806,147 Saudi riyal, inventory of the Subsidiary amounted to 10,598,393 Saudi riyal and other receivables of the Subsidiary amounted to 3,429,739 Saudi riyal which represents in total 7.3% of the Group consolidated assets as at 31 December 2021. The total liabilities of the Subsidiary amounted to 5,390,672 Saudi riyal which represent 6% of the Group consolidated liabilities as at 31 December 2021, the total revenue of the Subsidiary amounted to 34,264,054 Saudi riyal which represent 21% of Group consolidated revenue as at 31 December 2021 and the total cost of sales of the Subsidiary amounted to 26,840,500 Saudi riyal which represent 19.7% from Group consolidated cost of sales as at 31 December 2021.

We have been unable to obtain appropriate audit evidence in the relation to the Subsidiary's carrying values as at 31 December 2021 and the Parent company's share of results of the Subsidiary for the year then ended as we have not been able to verify the financial information from the Subsidiary's auditors including their audit records, accordingly we were unable to determine whether adjustments were necessary to these balances.

We conducted our audit in accordance with International Standards on Auditing ("ISAs") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

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

Other matters

The consolidated financial statements for the financial year ended as of 31 December 2020 were reviewed by another auditor, who expressed an unmodified opinion dated on March 30, 2021.

Independent Auditor's Report – Continued

To the Shareholders of Saudi Industrial Development Company (SIDC)
 (A Saudi Joint Stock Company)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our qualified opinion thereon, and we do not provide a separate opinion on these matters. Below are the descriptions of each key audit matter and how our audit procedures were addressed to these key audit matter:

Key Audit Matter	How our audit addressed key audit matters
Revenue recognition Revenue recognition is a key audit because revenue is an important element of the Group's performance and results. As it contains inherent risks that management may override internal control procedures by recognizing revenues more than their accurate value to achieve objectives or to improve Group's results. As disclosed in note no. (23), the Group recognized 2021 total revenues of SAR 163,078,518 for the year ended 31December (2020: SAR 164,604,455)	Refer to note No. (4) for accounting policies of revenue recognition and note no. (23) detailing revenues. Our audit procedures included, among others; We assessed the appropriateness of the accounting policy to recognize revenue in accordance with the requirements of IFRS (15) Revenue from contracts with customers. Test of details a sampling basis for goods sold and assessing the proper application of the revenue recognition policy. Analytical procedures to understand the causes of revenue variation compared to the previous year, assess its reasonableness and determine whether there are significant fluctuations that require further verification based on understanding of current market conditions. Cut off testing procedures to ensure that revenues are recorded in the proper periods. Testing the design and effectiveness of internal control procedures in relation to revenues recognition related to trade receivable.

Independent Auditor's Report – Continued

To the Shareholders of Saudi Industrial Development Company (SIDC)
 (A Saudi Joint Stock Company)

Key Audit Matters – Continued

Key Audit Matter	How our audit addressed key audit matters
Inventory <p>As of December 31, 2021, the group's net inventory balance was SAR 45,433,146. (2020: SAR 47,192,397) net of SAR 5,877,662 (2020: SAR 4,058,836) an inventory impairment.</p> <p>The existence and evaluation of inventory is key to the review due to:</p> <ul style="list-style-type: none"> • The Group has a high level of inventory volume at the end of the year • By referring to Note 4, inventory is valued at cost or net realizable value, whichever is lower cost is determined using the weighted average method. Determining whether inventory will be recognized at value a lower than cost requires management to exercise judgment and apply assumptions based on the most documented evidence at the time estimates are prepared. Management takes the following actions to determine the estimated impairment: <ul style="list-style-type: none"> - Use historical assumptions to estimate the potential future capacity to sell slow-moving inventory. - Management decided to provide slow moving inventory provision based on the percentage of historical provisions - An analysis of inventory items is carried out on the date of the consolidated financial statements to ensure it is recorded at cost or net realizable value, whichever is lower, and an impairment is recognized if necessary. • The inventory risk also includes not doing the necessary procedures related to physical count and not reviewing the inventory slow moving or needed to be written off. <p>Inventory accounting policy disclosed in note 4, and inventory details in note 11</p>	<p>Our audit procedures to address the material risk of inventory existence of include:</p> <p>Attend the inventory physical count at the end of the year and assesse the adequacy of inventory controls.</p> <p>Review the Group's procedures to reflect the results of the actual inventory physical count on accounting records.</p> <ul style="list-style-type: none"> • As for determining the cost of inventory, our audit procedures included: <ul style="list-style-type: none"> -For inventory procurement items, audit purchases and test supporting documents on a sample basis. -For finished goods, assess the reasonableness of the cost methods used by the Group by mixing internal control system inspection procedures with test of details. • For determining the net realizable value of the inventory, our audit procedures included: <ul style="list-style-type: none"> Test the inventory aging report prepared by management and verify the data related to slow moving items by review of the sample from slow moving inventory physical count and dates of the invoices recording. -The net realizable value was tested and compared with the subsequent selling price of the inventory after deducting the cost until it was sold on a sample basis. -Review the Group's accounting policies and ensure that it agree to the applied policy of the consolidated financial statement.

Independent Auditor's Report – Continued

To the Shareholders of Saudi Industrial Development Company (SIDC)
 (A Saudi Joint Stock Company)

Key Audit Matters – Continued

Key Audit Matters	How our audit addressed key audit matters
Expected Credit Losses For Trade Receivables	
<p>As of December 31, 2021, the trade receivables and other debit balances amounted to SAR 22,405,110 (2020: SAR 24,722,405) net of expected credit losses of SAR 1,498,574 (2020: SAR 867,613).</p> <p>The Group applied the simplified approach under IFRS 9: "Financial Instruments" to measure the expected credit losses on trade receivables and other debit balances, which allows for lifetime ECL to be recognized from initial recognition of the trade receivables and other debit balances by using a provision matrix that is based on historical credit loss experience, adjust for forward-looking factors specific to the individual trade receivables and other debit balances and the economic environment. Due to the significance of trade receivables and other debit balances and the complexity involved in the ECL calculation, this was considered as a key audit matter.</p> <p>The accounting policy for the expected credit loss in note 5, and details of the trade receivables and other receivables were disclosed in notes 31,13, and 12</p>	<ul style="list-style-type: none"> • We assessed the reasonableness of the assumptions used in the ECL calculation by comparing them with historical data adjusted for current market conditions and forward-looking information; • We performed substantive procedures to test, on a sample basis, the completeness and accuracy of the information included in the debtors aging report; • Testing the subsequent settlements made for the selected sample of customers. • We considered management criteria of aggregating trade receivable into segments and assessed whether the criteria for each segment is indicative of similar credit characteristics; • We also considered the adequacy of the Group's disclosures relating to the ECL, management is assessment of the credit risk and their responses to such risks

Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's annual report, other than the consolidated financial statements and our auditor's report thereon. The Group annual report is expected to be made available to us after the date of our audit report.

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

In connection with our audit of the consolidated 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 consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Independent Auditor's Report – Continued

To the Shareholders of Saudi Industrial Development Company (SIDC)
(A Saudi Joint Stock Company)

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the Parent Company's By-laws and the applicable requirements of the Parent Company's regulations, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

Our objective is 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 qualified opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 ISAs as endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

Independent Auditor's Report – Continued

To the Shareholders of Saudi Industrial Development Company (SIDC)
 (A Saudi Joint Stock Company)

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

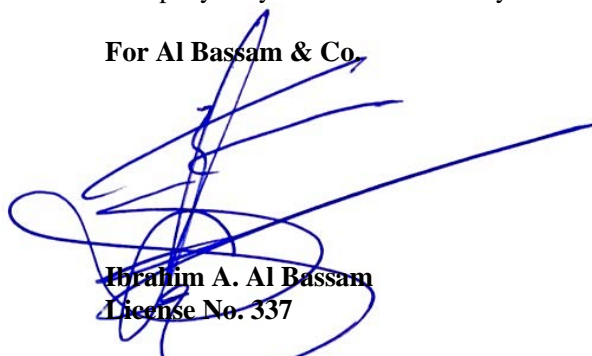
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with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

Report on other legal and regulatory requirements

Based on the information that has been made available to us while performing our audit procedures, nothing has come to our attention that causes us to believe that the Group is not in compliance, in all material respects, with the applicable requirements of the Regulation for Companies in the Kingdom of Saudi Arabia and the Parent Company's By-laws in so far as they affect the preparation and presentation of the consolidated financial statements.

For Al Bassam & Co.



Ibrahim A. Al Bassam
 License No. 337

28 Shabaan 1443H
 31 March 2022G
 Jeddah, Kingdom of Saudi Arabia



SAUDI INDUSTRIAL DEVELOPMENT COMPANY (SIDC)
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021
(Expressed in Saudi Riyals)

	Note	As at December 31, 2021	As at December 31, 2020
ASSETS			
Non-current assets			
Property, plant and equipment	6	83,826,105	89,883,954
Goodwill	9	62,356,409	62,356,409
Right of use assets	7	10,559,060	11,068,409
Intangible assets	8	229,015	561,361
Advance payments on operating lease		110,021	261,195
Financial assets at fair value through other comprehensive income (FVOCI)	10	60,254,333	44,024,506
Total non-current assets		217,334,943	208,155,834
Current assets			
Inventory	11	45,433,146	47,192,397
Prepayments and other debit balances	12	4,673,647	8,679,938
Accounts and notes receivable, net	13	17,731,463	16,042,467
Financial assets at fair value through profits or losses	14	3,935,020	956,050
Cash and cash equivalents	15	11,820,045	16,980,510
Total current assets		83,593,321	89,851,362
Total assets		300,928,264	298,007,196
EQUITY AND LIABILITIES			
EQUITY			
Share capital	1	400,000,000	400,000,000
Foreign currency translation reserve		(32,241,605)	(32,279,754)
Fair value change reserve		(116,223,833)	(133,107,018)
Re-measurement reserve of defined benefit obligations		(42,262)	995,820
Accumulated losses		(47,480,087)	(25,192,741)
Total equity attributable to shareholders of the parent company		204,012,213	210,416,307
Non-controlling interest		7,325,950	6,592,858
Total equity		211,338,163	217,009,165
Non-current liabilities			
Employee benefit obligations	17	16,113,008	13,626,166
Lease liabilities - non-current portion	7	7,727,363	7,324,235
Deferred tax liabilities	18	782,969	707,143
Total non-current liabilities		24,623,340	21,657,544
Current liabilities			
Provision for zakat and income tax	19	7,533,528	8,983,012
Accruals, liabilities and other provisions	20	13,150,846	13,919,171
Lease liabilities - current portion	7	4,688,151	4,176,850
underwriting surplus	21	6,350,898	6,350,898
Credit facilities	22	4,032,949	4,037,368
Accounts payable		29,210,389	21,873,188
Total current liabilities		64,966,761	59,340,487
Total liabilities		89,590,101	80,998,031
Total equity and liabilities		300,928,264	298,007,196

The accompanying notes from (1) to (36) form an integral part of these consolidated financial statements and should be read together with them and with independent auditor's report.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021**
(Expressed in Saudi Riyals)

	Note	For the year ended 31 December 2021	For the year ended 31 December 2020
Sales	23	163,078,518	164,604,455
Costs of sales	24	(136,270,301)	(128,956,801)
Gross profit		26,808,217	35,647,654
Selling and distribution expenses	25	(15,095,979)	(13,619,519)
General and administrative expenses	26	(32,030,807)	(27,965,819)
Impairment of current assets	27	(8,460,603)	(4,926,449)
Loss from operations		(28,779,172)	(10,864,133)
Realized gain from financial assets at fair value through profit or loss		439,849	5,698,565
Unrealized gain from financial assets at fair value through profit or loss	14	612,802	937,913
Dividends from financial assets at fair value		1,531,528	-
Finance costs		(720,189)	(1,377,595)
Other income	28	6,544,551	5,370,219
Loss for the year before zakat and income tax		(20,370,631)	(235,031)
Zakat	19	(2,125,744)	(1,368,188)
Income tax	19	(1,234,119)	(449,067)
Loss for the year		(23,730,494)	(2,052,286)
(loss) / Profit attributable to:			
Parent Company shareholders		(24,495,507)	(3,246,508)
Non-controlling interests		765,013	1,194,222
		(23,730,494)	(2,052,286)
Other Comprehensive income:			
Items that are transferable subsequently to the consolidated statement of profit or loss:			
Changes in foreign currency translation reserve		38,149	367,140
Items that are non-transferable subsequently to the statement of profit or loss:			
Profit/(losses) of financial assets at fair value through other comprehensive income		2,208,161	(4,190,865)
Unrealized profits/(losses) from financial assets at fair value through other comprehensive income		16,883,185	(344,719)
Actuarial losses from re-measurement of employee benefits obligations	17	(1,070,003)	(223,870)
Total comprehensive loss for the year		(5,671,002)	(6,444,600)
Total comprehensive (Loss) / income attributable to:			
Parent Company shareholders		(6,404,094)	(7,515,882)
Non-controlling interests		733,092	1,071,282
		(5,671,002)	(6,444,600)
Loss per share:			
Loss from operations	29	(0.72)	(0.27)
Loss for the year attributable to shareholders (Basic and diluted)	29	(0.61)	(0.08)

The accompanying notes from (1) to (36) form an integral part of these consolidated financial statements and should be read together with them and with independent auditor's report.

SAUDI INDUSTRIAL DEVELOPMENT COMPANY (SIDC)
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in Saudi Riyals)

	Share Capital	Statutory Reserve	Foreign currencies translation reserve	Fair value change reserve	Re-measurement reserve of employee benefit obligations	Accumulated Losses	Total equity attributable to shareholders of the Parent Company	Equity for non-controlling interests	Total Equity
<u>2020:</u>									
Balance as at 1 January 2020	400,000,000	8,099,375	(32,646,894)	(132,762,299)	1,096,750	(25,854,743)	217,932,189	8,553,628	226,485,817
Transferred from statutory reserve to offset Accumulated losses during the period	-	(8,099,375)	-	-	-	8,099,375	-	-	-
(Loss) / Gain for the year	-	-	-	-	-	(3,246,508)	(3,246,508)	1,194,222	(2,052,286)
Realized loss from financial asset at FVOCI	-	-	-	(4,190,865)	-	-	(4,190,865)	-	(4,190,865)
Recycling of realized loss from financial asset at FVOCI to accumulated losses	-	-	-	4,190,865	-	(4,190,865)	-	-	-
Unrealized loss from financial asset at FVOCI	-	-	-	(344,719)	-	-	(344,719)	-	(344,719)
Actuarial losses from re-measurement of employee benefits obligations	-	-	-	-	(100,930)	-	(100,930)	(122,940)	(223,870)
Foreign currency translation adjustment	-	-	367,140	-	-	-	367,140	-	367,140
Total comprehensive income / (loss)	-	-	367,140	(344,719)	(100,930)	(7,437,373)	(7,515,882)	1,071,282	(6,444,600)
Dividends	-	-	-	-	-	-	-	(3,000,000)	(3,000,000)
Net movement in non-controlling interests	-	-	-	-	-	-	-	(32,052)	(32,052)
Balance as at 31 December 2020	<u>400,000,000</u>	<u>-</u>	<u>(32,279,754)</u>	<u>(133,107,018)</u>	<u>995,820</u>	<u>(25,192,741)</u>	<u>210,416,307</u>	<u>6,592,858</u>	<u>217,009,165</u>

The accompanying notes from (1) to (36) form an integral part of these consolidated financial statements and should be read together with them and with independent auditor's report.

SAUDI INDUSTRIAL DEVELOPMENT COMPANY (SIDC)
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in Saudi Riyals)

	Share Capital	Statutory Reserve	Foreign currencies translation reserve	Fair value change reserve	Re- measurement reserve of employee benefit obligations	Accumulated Losses	Total equity attributable to shareholders of the Parent Company	Equity for non- controlling interests	Total Equity
2021:									
Balance as at 1 January 2021	400,000,000	-	(32,279,754)	(133,107,018)	995,820	(25,192,741)	210,416,307	6,592,858	217,009,165
(Loss) / Gain for the year	-	-	-	-	-	(24,495,507)	(24,495,507)	765,013	(23,730,494)
Realized gain from financial asset at FVOCI	-	-	-	2,208,161	-	-	2,208,161	-	2,208,161
Recycling of realized gain from financial asset at FVOCI to accumulated losses	-	-	-	(2,208,161)	-	2,208,161	-	-	-
Unrealized gain from financial asset at FVOCI	-	-	-	16,883,185	-	-	16,883,185	-	16,883,185
Actuarial losses from re- measurement of employee benefits obligations	-	-	-	-	(1,038,082)	-	(1,038,082)	(31,921)	(1,070,003)
Foreign currency translation adjustment	-	-	38,149	-	-	-	38,149	-	38,149
Total comprehensive income	-	-	38,149	16,883,185	(1,038,082)	(22,287,346)	(6,404,094)	733,092	(5,671,002)
Balance as at 31 December 2021	<u>400,000,000</u>	<u>-</u>	<u>(32,241,605)</u>	<u>(116,223,833)</u>	<u>(42,262)</u>	<u>(47,480,087)</u>	<u>204,012,213</u>	<u>7,325,950</u>	<u>211,338,163</u>

The accompanying notes from (1) to (36) form an integral part of these consolidated financial statements and should be read together with them and with independent auditor's report.

SAUDI INDUSTRIAL DEVELOPMENT COMPANY (SIDC)

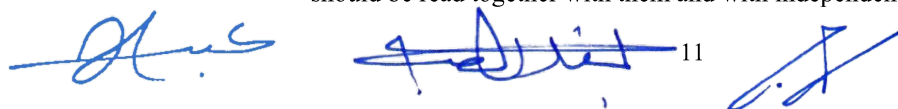
(A Saudi Joint Stock Company)

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021**

(Expressed in Saudi Riyals)

	For the year ended 31 December 2021	For the year ended 31 December 2020
Cash flows from operating activities:		
Loss for the year before zakat and income tax	(20,370,631)	(235,031)
Adjustments:		
Gain from leases discount	-	(842,031)
Amortization of right of use assets	4,162,683	4,138,700
Depreciation of property, plant and equipment	10,261,767	10,117,703
Amortization of Intangible Assets	332,346	302,105
Loss from sale of property, plant and equipment	-	38,656
Unrealized gain from financial assets at fair value through profit or loss	(612,802)	(937,913)
Realized gain from financial assets at fair value through profit or loss	(439,849)	(5,698,565)
Amortization of advance payment on operating lease	151,174	151,174
Impairment of inventory	5,877,662	4,058,836
Expected credit losses	1,498,574	867,613
Impairment in other receivables	1,084,367	-
Charged to employee benefits	2,776,545	1,712,628
	-	
Changes in operating assets and liabilities:		
Accounts and notes receivable, net	(3,187,570)	5,673,172
Inventory	(4,118,411)	1,131,274
Prepaid expenses and other debit balances	2,921,924	(1,673,334)
Accounts payables	7,337,203	2,497,445
Deferred tax liabilities	75,826	95,137
Accrued expenses and other liabilities	(768,325)	2,818,992
Cash provided by operating activities	6,982,483	24,216,561
Zakat and income tax paid	(4,734,830)	(4,126,499)
Employee benefits paid	(1,359,707)	(1,567,899)
Net cash provided by operating activities	887,946	18,522,163
Cash flows from investing activities		
Additions to property, plant and equipment	(4,189,366)	(4,296,148)
Additions to intangible assets	-	(70,797)
Proceed from sale of property, plant and equipment	-	270,480
Net movement on investment at fair value	831,501	14,159
Net cash used in investing activities	(3,357,865)	(4,082,306)
Cash flows from financing activities		
Lease liabilities paid	(2,738,830)	(4,237,824)
Dividends	-	(3,000,000)
Net cash used in financing activities	(2,738,830)	(7,237,824)
Net change in cash and cash equivalents	(5,208,749)	7,202,033
Cash and cash equivalents at the beginning of the year	16,980,510	9,580,847
Foreign currency translation differences	48,284	197,630
Cash and cash equivalents at the end of the year	11,820,045	16,980,510

The accompanying notes from (1) to (36) form an integral part of these consolidated financial statements and should be read together with them and with independent auditor's report



SAUDI INDUSTRIAL DEVELOPMENT COMPANY (SIDC)
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Saudi Industrial Development Company (SIDC) ("the Company") was established in Kingdom of Saudi Arabia as a Saudi joint stock Company pursuant to the decision of the Minister of Commerce No. 673, dated 20 Jumada II 1413H, (corresponding to December 14, 1992). The Company obtained its Commercial Registration No. 4030092792, which is issued in Jeddah on 17 Rajab 1413 H, (corresponding to 1 January 1993).

The Company's authorized, issued and fully paid share capital is SR 400 million which is divided into 40 million shares stated at SAR 10 each (2020: SAR 10).

The Parent company activities represent establishing industrial projects in the field of petrochemicals, food products, salt, industrial rubber, ceramic products, other fields where economic studies proof its feasibility, and marketing of company's products after getting necessary license to do so. In addition to constructing and acquiring properties, buildings, warehouses, and showroom to serve on company's best interest.

The Company's ordinary shares are listed on the Saudi Stock Exchange "Tadawul" under No. 2130.

The Company has the following branches:

Description	Commercial Registration No.	Date	Location
SIDC Ceramic Plant	4700005290	9 Jumada Al-Awwal 1416 H (corresponding to 3 October 1995)	Yanbu
Saudi Industrial Development Company Branch (SIDC)	1010480324	27 Rabi' al-Awwal 1440 H (corresponding to December 5, 2018)	Riyadh

The branch is engaged in the production of toiletries, wall tiles, ceramic floors and acrylic bathtubs pursuant to the decision of the Minister of Commerce No. 542, dated Dhu al-Qa'dah 5, 1411H.

The consolidated financial statements as of 31 December 2021, and for the year then ended comprise of the financial statements of the Company, its branch, and its subsidiaries (collectively referred to as "The Group", and individually referred to as "the Company"), as mentioned in note 7 to these consolidated financial statements, the Group's subsidiaries, their principal activities and the Group's share in each subsidiary were disclosed.

The spread of novel coronavirus (Covid – 19) across multiple geographical areas was confirmed in early 2020, causing disruptions to business and economic activities. As a result of taking a series of proactive and preventive measures and actions by government and management to contain the spread of coronavirus, especially the country wide lockdown and curfews, the group's operations have been directly affected during the year 2020. Causing the closure of all group's subsidiaries' showrooms during the curfew, decreasing working hours, considering of remotely running the business which is also resulted in a decrease in 2020 sales by (14%) compared to year 2019. Consequently, production capacity and inventory levels were decreased dramatically with the decrease in sales.

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1. ORGANIZATION AND PRINCIPAL ACTIVITIES (CONTINUED)

The management has taken certain procedures and actions to mitigate the impact of the decrease in sales such as introducing the online sales, and marketing campaigns and promotions, in addition to getting benefit from Saudi government support programs which have been contributed to reduce the operating expenses and maintaining the liquidity positions of the Group's entities.

The Group's entities will continue its operations and will keep applying same procedures in the meantime as the Group's management is currently unable to expect the time when the coronavirus impact will be mitigated.

The management has reflected the aforementioned impact on the financial statements for the year ended December 31, 2021.

Major development or related financial impact (if any) will be announced by the Group.

The Group's fiscal year begins on the first of January and ends at the end of December of each Gregorian year.

2. BASIS OF PREPARATION

Statement of compliance

This consolidated financial statements of the company, its branch and subsidiaries (comprised together "The Group") have been prepared in accordance with the International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

Basis of measurement

This consolidated financial statements of the Group have been prepared on a historical cost basis except for the items which were measured at fair value, present value, net realizable value, and replacement cost in line with the accrual basis of accounting and going concern assumption of The Group.

Functional and Presentation currency

These consolidated financial statements are presented in Saudi Arabian Riyals (SAR), which is the Group's functional and reporting currency.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New standards, amendments to standards and interpretations

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IFRS 9, IAS 39, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2	January 1, 2021	These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms. The amendments also introduce new disclosure requirements to IFRS 7 for hedging relationships that are subject to the exceptions introduced by the amendments to IFRS 9.
IFRS 16	Amendments to IFRS 16 Leasing - Covid-19 Related Rent Concessions	April 1, 2021	This amendment extend the exemption from assessing whether a COVID-19-related rent concession is a lease modification for payments originally due on or before June 30, 2022 (rather than payment due on or before June 30, 2021).
IAS 37	Onerous Contracts Cost of Fulfilling Contract	January 1, 2022	The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract. These amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New standards, amendments to standards and interpretations – (continued)

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IFRS 16, IFRS 9, IAS 41 and IFRS 1	Annual Improvements to IFRS Standards 2018–2020	January 1, 2022	IFRS 16: The amendment removes the illustration of the reimbursement of leasehold improvements
			IFRS 9: The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender. The amendment is to be applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.
			IAS 41: The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value.
			IFRS 1: The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation difference.
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	January 1, 2022	The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use. Additionally, the amendments also clarify the meaning of 'testing whether an asset is functioning properly'.

New standards, amendments and revised IFRS issued but not yet effective

The Company has not applied the following new and revised IFRSs and amendments to IFRS that have been issued but are not yet effective.

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IAS 37	Onerous Contracts: Cost of Fulfilling Contract	January 1, 2022	The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract. These amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New standards, amendments and revised IFRS issued but not yet effective (Continued)

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IFRS 16, IFRS 9, IAS 41 and IFRS 1	Annual Improvements to IFRS Standards 2018–2020	January 1, 2022	IFRS 16: The amendment removes the illustration of the reimbursement of leasehold improvements.
			IFRS 9: The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender. The amendment is to be applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.
			IAS 41: The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value.
			IFRS 1: The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation difference.
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	January 1, 2022	The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use. Additionally, the amendments also clarify the meaning of 'testing whether an asset is functioning properly'.
IFRS 3	Reference to the Conceptual Framework	January 1, 2022	The amendment as a whole updated IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework.
IFRS 17	Insurance Contracts	January 1, 2023	This is comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 (along with its subsequent amendments) will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005.
IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023	The amendment has clarified what is meant by a right to defer settlement, that a right to defer must exist at the end of the reporting period, that classification is unaffected by the likelihood that an entity will exercise its deferral right and that only if an embedded derivative in a convertible liability is itself an equity instrument the terms of a liability would not impact its classification.
IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	January 1, 2023	This amendment deals with assisting entities to decide which accounting policies to disclose in their financial statements

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New standards, amendments and revised IFRS issued but not yet effective (Continued)

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IAS 8	Amendment to definition of accounting estimate	January 1, 2023	This amendments regarding the definition of accounting estimates to help entities to distinguish between accounting policies and accounting estimates.
IAS 12	Income taxes	January 1, 2023	This amendment deals with clarification regarding accounting of deferred tax on transactions such as leases and decommissioning obligations
Amendment to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	N/A	The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary.

Management anticipates that these new standards interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and adoption of these interpretations and amendments may have no material impact on the financial statements of the Company in the period of initial application.

4. BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of Saudi Industrial Development Company (SIDC) (the "Company" or the "Parent Company"), its branch (SIDC Ceramic Factory) and its subsidiaries (comprised together "the Group") as of 31 December 2021. The date of the financial statements for all of the subsidiaries is December 31.

Subsidiaries are those companies over which the parent company has control. The control is realized when the Group is exposed to or has the right to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns.

The Company controls an investee if the Group has only:

- Power over the entity (has the rights that give it the current ability to direct the activities of the investee company),
- Exposure, or rights, to variable returns from its involvement with the entity; and
- The ability to use its power over the entity to influence the amount of the entity's returns.

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4. BASIS OF CONSOLIDATION (CONTINUED)

In general, there is a presumption that a majority of the voting rights result in control. In support of this presumption, when the Group has less than a majority of the voting rights or similar rights in the investee, the Group takes into account all the facts and circumstances when determining whether or not it exercises control over the investee, including:

- Arrangement (or arrangements) with the other voting rights holders of the investee Company.
- Rights arising from other contractual arrangements that grant the Parent Company the ability to direct related activities.
- The Group's voting rights and any potential voting rights.

The financial statements of the subsidiaries are compiled on a line-by-line basis by adding similar items of assets, liabilities, income and expenses. All intercompany balances and transactions, including unrealized gains or losses arising from intra-group transactions, are eliminated in full. Consolidated financial statements should be prepared using uniform accounting policies for like transactions and other events in like circumstances.

The financial statements of the subsidiaries are prepared for the same date or within three months of the date of the parent company's financial statements period, using consistent accounting policies.

Adjustments are made to standardize any asymmetric accounting policies that may exist between the financial year date of the subsidiaries and the parent company's financial year date.

The non-controlling interests in the net assets of the consolidated subsidiaries are identified separately from the Group's equity in these companies. The non-controlling interest consists of the amount of those interests at the date of the actual combination of the business and the non-controlling interest's share of changes in equity since the date of the combination. Losses within a subsidiary accrue to the non-controlling interest even if this results in a deficit balance.

Any change in ownership of the subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control of the subsidiary, it:

Changes in the Group's ownership interests in subsidiaries that do not result in a loss of control over these subsidiaries are accounted for as equity transactions. For purchases from non-controlling interests, the difference between any amount paid and the related purchased share of the fair value of the net assets of the subsidiary is recognized in equity. Gains or losses on disposals to the non-controlling interests are also recognized in equity

When the Group ceases to have control or significant influence, any retained equity interest is remeasured to its fair value and the change in carrying amount is recognized in the income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income relating to this entity are accounted for as if the Group had directly disposed of these assets or liabilities (that is, it is reclassified to profit or loss or transferred directly to retained earnings as determined by it). International Financial Reporting Standards

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4.BASIS OF CONSOLIDATION (CONTINUED)

The following subsidiaries, which are owned directly or indirectly by more than 50% and / or the Company can exercise control over them, are consolidated in these financial statements on the basis of the financial statements of the subsidiaries:

Subsidiary	Incorporation Country	Main activity	Direct and indirect ownership
SIDC Commercial Investment Company	Kingdom of Saudi Arabia	Wholesale and retail trade in cement, gypsum, natural and industrial marble, tubes and pipes, kitchens, ceramic products, faience, ceramics, porcelain, tools, sanitation sets, carpets, rugs, mattresses, beds, sponges, pillows, bed sheets, bedspreads, sheets, quilts, blankets and all sleeping accessories	100%
SIDC Projects Investment Company	Kingdom of Saudi Arabia	General contracting for residential, commercial, government, industrial and health buildings and complexes, wholesale and retail trade in building materials, furniture, furnishings, wooden, office and household tools, accessories, bathrooms, clothes, carpets, rugs, silver, crystals, traditional jewelry and precious stones	100%
Arabian Co. For Manufacturing Sponges & Springs Mattresses Ltd. (Sleep High Egypt)	Arab Republic of Egypt	Production of zipper and sponge mattresses.	100%
Global Marketing Company for Sleeping System Ltd. (Sleep High)	Kingdom of Saudi Arabia	Production of zipper mattresses, sponges, tire materials, seat covers and special polyester for mattress fillings	100%

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4.BASIS OF CONSOLIDATION (CONTINUED)

Direct and Indirect Ownership in the Branch and Subsidiaries of the Company

<u>Company</u>	<u>Direct Ownership</u>	<u>Indirect Ownership</u>
SIDC Ceramic Plant (Branch)	100%	-
SIDC Commercial Investment Company	95%	5% owned by SIDC Projects Investment Co.
SIDC Projects Investment Company	95%	5% owned by SIDC Commercial Investment Co.
Global Marketing Company for Sleeping System Ltd. (Sleep High)	95%	5% owned by SIDC Commercial Investment Co.
Arabian Co. For Manufacturing Sponges & Springs Mattresses Ltd. (Sleep High Egypt)	-	98.5% owned by Global Marketing Company for Sleeping System Ltd. (Sleep High). 1,5% owned by SIDC Commercial Investment Co.
Emmdad Logistic Services Company	-	50% owned by Global marketing company for sleeping system Ltd. (Sleep High) - a subsidiary company

Non-Controlling Interests

Non-controlling interest is measured at the acquisition date either at the fair value or the proportionate share of the fair value of the identifiable net assets of the acquire. The measurement basis is selected separately for each transaction. Subsequent to the acquisition, the non-controlling interests are presented at initial recognition plus their share of the subsequent changes in equity of the acquire, and are shown as a separate item in the statement of profit or loss, other comprehensive income, and within the equity at the consolidated statement of financial position.

Acquisitions or disposals of non-controlling interests that does not affect the parent company's control on the subsidiary are accounted for as transactions with equity holders. The difference between the fair value of the consideration for the paid or collected amounts and the change in non-controlling interests is recognized directly at the shareholders' equity.

Business combinations and goodwill

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of assets transferred by the Group, liabilities incurred or assumed by the Group to the former owners of the acquire and equity instruments issued by the Group in exchange for control of the acquire, plus any costs directly attributable to the business combination. Acquisition - related costs are generally recognized in profit or loss as incurred. At the acquisition date, the identifiable assets acquired and liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognized at their fair values at the acquisition date.

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4. BASIS OF CONSOLIDATION (CONTINUED)

Business combinations and goodwill (continued)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with IFRS 9, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non - controlling interests in the acquire, and the fair value of the acquirer's previously held equity interest in the acquire (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non - controlling interests in the acquire and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non - controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non - controlling interests ' proportionate share of the recognize amounts of the acquirer's identifiable net assets. The choice of measurement basis is made on a transaction by - transaction basis.

If the initial accounting for business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquire is re-measured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquire prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

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4. BASIS OF CONSOLIDATION (CONTINUED)

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less accumulated depreciation and any accumulated impairment losses. Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Depreciation is calculated based on the estimated useful lives of the applicable assets using the straight - line method, commencing when the assets are ready for their intended use. The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on prospective basis. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Significant improvements and replacements of assets are capitalized.

Work in progress for purposes of production works or administrative usage are stated at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs capitalized on assets that meet the conditions of capitalizing the borrowing costs in accordance with the Group's accounting policy. These properties are classified within the appropriate categories of items of property, plant and equipment when finished and being considered ready for use. Depreciation of such assets commences when they are ready for use for their intended purpose in the same way as other items of property, plant and equipment. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in the consolidated statement of income in the period in which they occur.

When the use of a property changes from owner - occupied to investment property, the property is re-measured to fair value and reclassified accordingly.

Any gain arising on this re-measurement is recognized in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognized in other comprehensive income and presented in the revaluation reserve.

Any loss is recognized in profit or loss. However, to the extent that an amount is included in the revaluation surplus for that property, the loss is recognized in other comprehensive income and reduces the revaluation surplus within equity.

Depreciation expense is recognized in the consolidated statement of profit or loss on a straight-line basis over the estimated useful life of each item of property, plant and equipment.

When the useful life of property, plant and equipment items are different, they are accounted for as separate items. Depreciation is charged to all property, plant and equipment items to reduce their carrying amount by the estimated useful life as follows:

Description	Depreciation rate (%)
Buildings	3-10%
Machineries and Equipment	10-20%
Furniture, fixtures and office equipment	20-25%
Vehicles	20-25%

The Group reviews the useful lives and residual value of the property, plant and equipment at the end of each financial year to ensure that it reflects the benefit obtained, and in case of difference, it is treated as changes in accounting estimates (in year of change and subsequent years).

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4. BASIS OF CONSOLIDATION (CONTINUED)

Projects Under Construction

Projects under construction are measured at cost which comprises construction costs, equipment, and related direct costs. Projects under construction which will be used by the Group are not depreciated until its ready for use where its transferred to property, plant and equipment or investment properties based on the nature of asset use.

Lease

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

When the Group is a lessor

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. All other leases are classified as finance leases. The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Operating lease

Rental income from operating leases is recognized on a straight - line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight - line basis over the lease term.

When the Group is a lessee

The Group applies a single recognition and measurement approach for all leases, except for short- term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

a) Right-of-use assets

The Group 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 amortization 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 Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are amortized 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. Right of use assets that meet the definition of investment properties are recorded as investment properties in the consolidated statement of financial position.

Right of use assets that meet the definition of investment properties are subsequently measured at fair value. Please refer to policies for "investment properties" above for the accounting policy for right of use investment properties at fair value.

b) Lease liabilities

At the commencement date of the lease, the Group 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 Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

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4. BASIS OF CONSOLIDATION (CONTINUED)

Lease (Continued)

b) Lease liabilities (Continued)

In calculating the present value of lease payments, the Group 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.

c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (ie, those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term in the consolidated statement of profit or loss and other comprehensive income.

Intangible Assets

Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful lives of the intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and tested for impairment whenever there is an indication that the intangible asset may be impaired. Intangible assets with indefinite useful lives are not amortized but tested for impairment annually and whenever there is an indication that the intangible asset may be impaired.

If the carrying value of the intangible asset is more than the recoverable amount, the intangible asset is considered impaired and is written down to its recoverable amount. The excess of carrying value over recoverable amount is recognized in the consolidated statement of profit or loss and other comprehensive income.

Capitalized development costs are amortized over the periods that the Group expects to benefit from the sale of the developed products. The amortization expense is included in the consolidated statement of profit or loss.

Development expenditures that do not meet the above criteria and expenses incurred in the exploration phase are recognized as an expense in the consolidated statement of profit or loss.

The estimated useful lives of intangible assets are as follows:

Assets	Useful Lives (Years)
Computer systems and software	10 Years

Impairment of tangible and intangible assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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4. BASIS OF CONSOLIDATION (CONTINUED)

Impairment of tangible and intangible assets (Continued)

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of profit or loss and other comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of profit or loss and other comprehensive income.

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- 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 a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.
- The Group classifies all other liabilities as non-current.

Financial instruments

The Group classifies its financial instruments as financial assets and financial liabilities. Financial assets and financial liabilities are recognized when the Group becomes a party of the contractual provisions of such instruments.

Financial assets and financial liabilities carried on the consolidated statement of financial position include financial assets at fair value through other comprehensive income, due from related parties, trade and other receivables (excluding prepayments and advances), fixed deposits, cash and cash equivalents, and lease liabilities, term loans, due to related parties, trade and other payables and due to bank

Recognition, initial measurement and de-recognition

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

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4. BASIS OF CONSOLIDATION (CONTINUED)

Financial instruments (Continued)

Recognition, initial measurement and de-recognition (continued)

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objectives and in order to generate contractual cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model and measured at FVPL. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios.

Purchases and sales of those financial assets are recognized on trade-date - the date on which the Group commits to purchase or sell the asset. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price.

A financial asset is derecognized either when: the contractual rights to receive the cash flows from the financial asset have expired; or the Group has transferred its rights to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of ownership of the financial asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset. Where the Group has retained control, it shall continue to recognize the financial asset to the extent of its continuing involvement in the financial asset.

Classification of financial assets

Financial assets are classified in the consolidated financial statements into the following categories upon initial recognition:

- Equity instruments at fair value through other comprehensive income; and
- Financial assets at amortized cost.

Equity instruments at fair value through other comprehensive income (FVOCI)

Upon initial recognition, the Group may elect to classify irrevocably some of its equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

losses on these equity instruments are never recycled to consolidated statement of income. Dividends are recognized in the consolidated statement of income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal, cumulative gains or losses are reclassified from cumulative changes in fair value to retained earnings in the consolidated statement of changes in equity.

The financial assets at FVOCI represent quoted and unquoted equity investments.

Subsequent measurement

Financial assets at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

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4. BASIS OF CONSOLIDATION (CONTINUED)

Financial instruments (Continued)

Subsequent measurement (continued)

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are subsequently measured at amortized cost using the effective yield method adjusted for impairment losses if any. Gains and losses are recognized in the consolidated statement of income when the asset is derecognized, modified or impaired.

Financial assets carried at amortized cost consist of due from related parties, trade and other receivables (excluding prepayments and advances), fixed deposits and cash and cash equivalents.

Effective interest rate method ("EIR")

The EIR method is a method of calculating the amortized cost of a financial asset. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business and recognized initially at transaction price and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, at banks and portfolio accounts and are subject to an insignificant risk of changes in value.

Impairment of financial assets

The Group recognizes a provision for expected credit losses (ECLS) for financial assets measured at amortized cost.

ECLS are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

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 and other receivables (excluding prepayments and advances), the Group has applied the standard's simplified approach and has calculated ECLS based on lifetime expected credit losses. Accordingly, the Group does not track changes in credit risk and assesses impairment on a collective basis. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the customers and the economic environment. Exposures were segmented based on common credit characteristics such as credit risk grade, geographic region and industry, delinquency status and age of relationship where applicable.

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4. BASIS OF CONSOLIDATION (CONTINUED)

Financial instruments (Continued)

Impairment of financial assets (continued)

For cash and cash equivalents for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, the Group's policy to measure ECLS on such instruments on a 12-month basis.

For due from related parties, the Group has applied a forward looking approach wherein recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk measuring expected credit losses, including past events, current conditions, reasonable supportable forecasts that affect the expected collectability of the future cash flows of instrument.

In applying this forward-looking approach, the Group applies a three stage assessment measuring ECL as follows:

- **Stage 1** - financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk: and
- **Stage 2** (not credit impaired) financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low.
- **Stage 3** (credit impaired) - financial assets that have objective evidence of impairment at the reporting impact on the estimated future cash flows have occurred.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLS, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Lifetime ECLS are the ECLS that result from all possible default events over the expected life of a financial instrument.

12-month ECLS are the portion of ECLS that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLS is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument. ECLS for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets and charged to the consolidated statement of income.

Financial liabilities

All financial liabilities within IFRS 9 are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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4. BASIS OF CONSOLIDATION (CONTINUED)

Financial instruments (Continued)

Financial liabilities (Continued)

Accounts payable

Accounts payable include trade and other payables. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

De-recognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Offsetting of financial assets and liabilities

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

Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued.

Foreign currency translation differences arising on the translation of the Group's foreign entities are included in the foreign currency translation reserve. Gains and losses on certain financial instruments are included in fair value reserve.

Retained earnings include all current and prior period retained profits.

Dividends are recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the shareholders.

Inventory and Spare Parts

Inventory

Raw materials, spare parts, work-in-progress and finished goods are shown at the lower of cost or net realizable value. Cost comprises direct materials, direct labour and an appropriate share of fixed and variable indirect overheads cost based on the basis of the normal operating capacity. Costs is determined using a weighted average. The costs of the inventory items purchased are determined after deducting the discounts. The net realizable value is the expected selling price in the ordinary course of business less the estimated costs to complete the process and the expected selling costs.

Spare Parts

The cost of spare parts shall be charged to property, plant and equipment when it meets its definition and conditions, otherwise the spare parts shall be classified as inventory.

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4. BASIS OF CONSOLIDATION (CONTINUED)

Employee Benefit Obligation - End of Service Provision

End of Service Indemnity

The defined benefit plan is a compensation plan paid to employees after their services are completed. In accordance with the Saudi Labour Law, the Group makes payments to employees upon completion of their services, which are usually based on years of service, salary and termination.

End of service indemnity is determined by actuarial valuation using the expected unit of credit method at the end of each financial period. The gain or loss arising from actuarial revaluation is recognized in other comprehensive income for the period in which the revaluation occurred. Re-measurement recognized in other comprehensive income is immediately reflected in retained earnings and is not included in the statement of profit or loss. The cost of the previous service (past cost) is presented in profit or loss during the plan adjustment period. Net interest is calculated by applying the discount rate at the beginning of the period to the specified employee benefit asset or liability.

Specific benefit costs are classified as follows:

- Cost of service (including current service costs, past service cost, as well as gains and losses resulting from the scaling up and reimbursement of staff benefits);
- Net interest cost and income; and
- Re-measurement.

The current cost of service of the defined benefit plan is recognized in the consolidated statement of profit or loss as employee benefit expense, unless it is included in the cost of the asset. Reflecting the increase in the liability of the specific benefits resulting from the employee's service in the current year and the cases of change, reduction and settlement of benefits. Prior service costs are recognized immediately in the consolidated statement of profit or loss.

Actuarial gains and losses arising from adjustments and changes in actuarial assumptions are charged in equity at the consolidated other comprehensive income in the period in which they arise.

Short-Term Employee Benefits

Liabilities are recognized and measured for benefits accruing to employees in respect of wages, salaries, annual leave and sick leave in the period in which they are rendered in the undiscounted amounts of the benefits expected to be paid for this service.

Retirement Benefit Costs

The Group contributes to the retirement benefits of employees in accordance with the regulations of the General Organization for Social Insurance and is calculated as a percentage of the employees' salaries. Payments are treated to government-managed pension benefit plans as payments to specific contribution plans as the Group's liabilities against these plans are equivalent to those that arise in a defined contribution retirement plan. Payments to retirement benefit plans are charged as an expense when due.

Provisions

Provisions are recognized when the Group has a present obligation as result of past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects the current market assessments of the time value of money and the risks specific to that liability.

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4. BASIS OF CONSOLIDATION (CONTINUED)

Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer. The Group follows a 5-step process:

- Identifying the contract with a customer.
- Identifying the performance obligations.
- Determining the transaction price.
- Allocating the transaction price to the performance obligations.
- Recognizing revenue when/as performance obligation(s) are satisfied.

The total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

IFRS 15 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosure Revenue is recognized at a point in time when the Group satisfies performance obligations by transferring the control of promised goods or services to its customers.

The Group considers the following factors in determining whether control of goods or services has been transferred:

- The Group has a present right to payment for the goods or services.
- The customer has legal title to the goods or services.
- The Group has transferred physical possession of the goods.
- The customer has the significant risks and rewards of ownership of the goods or services.
- The customer has accepted the goods or services.

Revenue for the Group arises from:

Sale of goods:

Performance obligations related to the Group's sale of goods are satisfied at a point in time typically on delivery of the goods, and issuing of the invoice to customers.

Transport services:

Performance obligations relating to the Group's revenue from transportation services are satisfied at a point in time, namely when clearing and arranging transportation for freight services to customers by road.

Other revenues:

The Group's other types of income are mainly income from the sale of scrap.

Foreign currency translation

The financial statements of the Group are presented in Saudi Riyals, which is also the functional currency of the Parent Company.

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4. BASIS OF CONSOLIDATION (CONTINUED)

Zakat

The Group is subject to the regulations of the Zakat, Tax and Customs Authority in the Kingdom of Saudi Arabia and the tax laws of Egypt. Foreign subsidiaries are subject to income tax regulations applicable in the related countries. Zakat is recognized on the Group and its share in the income tax of its foreign subsidiaries is charged to the consolidated statement of profit or loss for the current period. Foreign income tax relating to foreign subsidiaries is charged to the non-controlling interests in the accompanying consolidated financial statements. Additional Zakat and foreign income tax liabilities, if any, relating to assessment over previous years are accounted for in the period in which the final assessment is made.

Zakat is recognized in accordance with the accrual basis. Any differences between the provision and final assessment are recorded when the final assessment is approved and the provision is closed. Zakat is calculated on the basis of Zakat base and the adjusted profit.

Dividend distribution

Shareholders' dividends are recognized as liabilities in the period in which such dividends are approved by the Shareholders' general assembly.

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant management judgments

In applying the group's accounting policies, management has made the following judgments, which have a significant impact on the amounts recognized in the financial statements.

Impairment of non-financial assets

The Group's management assesses whether there is any indication of impairment of non-financial assets at each reporting date. When events or changes in circumstances (indications) indicate that the carrying amount is not recoverable, the Group assesses the impairment in value. An impairment loss is recognized (if any), which represents an increase in the carrying amount of the recoverable amount. The recoverable amount is the higher of fair value (less costs to sell), or value of the asset at use.

To assess value in use, the expected future cash flows are discounted to determine the present value using a discount rate before zakat that reflects an assessment of the current market situation with respect to the present values of cash flows and the risks specific to that asset. The fair value less costs to sell is based on prevailing market prices or in the absence of prevailing market prices, the prices are estimated on similar assets or in the absence of estimated prices for similar assets, its calculation is based on discounted cash flows.

For the purpose of assessing impairment, assets are grouped at the lowest level so that the cash flows of each unit can be separately identified. Impaired and non-financial assets are reviewed for possible reversal of the impairment at each statement of financial position date.

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5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATION UNCERTAINTY (CONTINUED)

Impairment of non-financial assets (Continued)

When the impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount shall not exceed the carrying amount that would have been determined, which, had it been determined, would not have been recognized. Any impairment loss for the asset or cash-generating unit in previous years. The reversal of the impairment loss is recognized as direct income in the statement of profit or loss.

Property, plant and equipment

The Group's management estimates the useful lives of property, plant and equipment to calculate depreciation based on the expected use of the asset and the material damage to which it is exposed. The management reviews the residual value, useful lives and depreciation method on an annual basis to ensure that it reflects the benefit obtained, and if any difference is treated as changes in the accounting estimates (in the year of change and subsequent years).

With regard to the current liabilities for removal and restoration and similar liabilities (dismantling and removal of the asset), the changes in the liability are added to or deducted from the cost of the related asset in the current period so that the deducted amount out of the cost does not exceed the recorded one, if the decrease in the liability exceeds the amount of the registered asset, the increase must be recognized immediately in the consolidated statement of income. If the adjustment results in addition to the cost of the asset, The Group considers whether this is an indication that the new recorded amount of the asset may not be fully recoverable, and if this is the case, The Group tests whether there is an impairment in the value of the asset by estimating its recoverable amount and treating any impairment loss in the consolidated statement of comprehensive income.

Inventory

Management estimates the provision to reduce the inventory to its net realizable value if the cost of the inventory is not recoverable or the inventory is damaged or become an obsolete in whole or in part, or if the selling price is lower than cost or any other factors that cause the net realizable value to become less than the carrying amount. Management valuation of net realizable value is based on the most reliable evidence at the time the estimates are used. These estimates take into account fluctuations in prices or costs directly attributable to events occurring after the date of the consolidated statement of financial position to the extent that they confirm that the circumstances of such events exist as at the end of the financial year.

Provision for expected credit losses

The expected credit loss model is based on the contractual cash flows due under the contract and all the cash flows that the company expects to receive. The shortfall is then discounted to an approximation of the original effective interest rate of the asset.

For exposures to credit risk that are not associated with a significant increase in credit risk since initial recognition, ECLs are recognized for credit losses that arise from the probability of default events occurring during the subsequent twelve-month period (12-month ECL). For those credit exposures that correlate with a significant increase in credit risk since initial recognition, a loss allowance is required for ECL over the remaining life of the exposure regardless of the timing of default (lifetime ECL).

For trade and other receivables (excluding prepayments and prepayments), the Group has applied the simplified method of the standard and calculated ECL based on the expected credit loss over the useful life. Accordingly, the Company does not track changes in credit risk and assesses impairment on an aggregate basis. The Company has established a provision matrix that is based on past history of credit losses, and adjusted for future factors specific to the debtors and the economic environment. Risk exposures are broken down on the basis of credit characteristics such as credit risk score, geographic region, industry, insolvency status and age of the relationship, whichever applies.

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5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATION UNCERTAINTY (CONTINUED)

Assets or liabilities measured at fair value

- Separate assets or liabilities.
- A group of assets, a group of liabilities, or a group of assets and liabilities.
- A set of accounting policies and interpretations that require the fair value of financial and non-financial assets and liabilities.

The Group uses observable market inputs to the extent possible when measuring the fair value of assets and liabilities.

The Group uses the valuation methods in determining the fair value, as well as it uses the following levels that reflect the importance of inputs used in determining fair value:

- **Level 1:** quoted prices (unadjusted) in an active market for similar assets or liabilities.
- **Level 2:** valuation methods based on inputs, other than quoted prices included in Level 1, which can be observable for assets and liabilities, directly or indirectly.
- **Level 3:** Valuation techniques using inputs that have an important impact on fair value but are not based on observable inputs.

The Group recognizes transfers between fair value levels at the end of the reporting period, at the same time as the change occurs. Management believes that its estimates and assumptions are reasonable and sufficient.

Employee benefit liabilities

Employee benefit liabilities is determined by actuarial valuation using the projected unit of credit method at the end of each financial period. Gains or losses arising from actuarial revaluation are recognized in other comprehensive income for the period in which the revaluation occurred.

Recognition and measurement of provisions and contingent liabilities

Basic assumptions about the probability and magnitude of the flow of economic resources.

Zakat provision

The group is subject to the regulations of Zakat, Tax and Customs Authority in the Kingdom of Saudi Arabia. Zakat is redeemed according to the accrual principle. The zakat provision is calculated according to the zakat base and the adjusted profit. Any differences between the provision and the final assessment are recorded when the final assessment is approved, when the provision is closed. The Zakat provision is calculated based on the consolidated financial statements of the Saudi Industrial Development Company - SIDC (the Parent Company)

Legal Claims

The Group reviews the outstanding cases by following up the development of its legal procedures at each reporting date to assess the need for provision or disclosure in the consolidated financial statements. Factors that need to be taken into consideration to make the decision for provision are nature of the case and the stage it reached (including the period after the date of the consolidated financial statements and before final issuance), the opinion and perspective of the legal advisors and previous experience of similar cases, as well as any management decision on how to respond.

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6. PROPERTY, PLANT AND EQUIPMENT

	Lands	Buildings and construction*	Machinery and equipment*	Vehicles and trucks	Fixtures and office equipment	Leasehold Improvement	Projects under construction**	Total
Cost:								
Balance at 1 January 2020	17,696,738	77,777,666	197,073,559	39,133,706	28,828,612	3,282,290	7,714,431	371,507,002
Additions	-	187,838	208,977	1,560,000	373,783	4,000	1,961,550	4,296,148
Disposals	-	(874,244)	(23,095)	(805,500)	(671,539)	-	-	(2,374,378)
Transferred	-	-	-	-	83,332	171,655	(254,987)	-
Foreign currency translation differences	23,556	64,761	134,643	8,420	32,376	-	-	263,756
Balance at 31 December 2020	17,720,294	77,156,021	197,394,084	39,896,626	28,646,564	3,457,945	9,420,994	373,692,528
Additions	-	-	826,883	3,018,582	300,566	-	43,335	4,189,366
Transferred	-	9,308,971	-	-	-	-	(9,308,971)	-
Foreign currency translation differences	2,260	6,259	13,145	806	3,294	-	-	25,764
Balance at 31 December 2021	17,722,554	86,471,251	198,234,112	42,916,014	28,950,424	3,457,945	155,358	377,907,658
Accumulated depreciation:								
Balance at 1 January 2020	-	62,958,266	162,893,086	23,426,891	24,149,774	2,219,367	-	275,647,384
Depreciation charge for the year	-	2,148,261	4,233,432	2,350,052	1,060,472	325,486	-	10,117,703
Disposals	-	(596,459)	(22,632)	(970,880)	(475,271)	-	-	(2,065,242)
Foreign currency translation differences	-	19,526	65,400	4,663	19,140	-	-	108,729
Balance at 31 December 2020	-	64,529,594	167,169,286	24,810,726	24,754,115	2,544,853	-	283,808,574
Depreciation charge for the year	-	2,448,085	3,997,342	2,620,254	1,040,007	156,079	-	10,261,767
Foreign currency translation differences	-	1,996	6,646	526	2,044	-	-	11,212
Balance at 31 December 2021	-	66,979,675	171,173,274	27,431,506	25,796,166	2,700,932	-	294,081,553
Net book value								
At 31 December 2021	17,722,554	19,491,576	27,060,838	15,484,508	3,154,258	757,013	155,358	83,826,105
At 31 December 2020	17,720,294	12,626,427	30,224,798	15,085,900	3,892,449	913,092	9,420,994	89,883,954

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6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

* The Group's buildings are constructed on leased land from the Saudi Authority for Industrial Cities and Technology Zones (MODON) in Jeddah and from the Royal Commission in Jubail and Yanbu with a nominal annual rent for varying periods, subject to renewal.

** Projects under construction are represented in the barcode system for sleep high company (a subsidiary company) and it's expected to be completed during 2022.

The depreciation expense for the year as at December 31 has been distributed as follows:

	2021	2020
Cost of sales (note 24)	8,347,696	8,090,613
Selling and distribution expenses (note 25)	716,475	557,239
General and administrative expenses (note 26)	1,197,596	1,469,851
	10,261,767	10,117,703

7. LEASES

(7.1) Right of use assets

The movement in right of use assets as at 31 December is as follow:

	Land	Buildings and Showrooms	Total
Balance at 1 January 2020	936,386	7,729,801	8,666,187
Additions during the year	3,309,467	3,667,653	6,977,120
Adjustment during the year	-	(781,624)	(781,624)
Amortization during the year	(559,879)	(3,233,395)	(3,793,274)
Balance at 31 December 2020	3,685,974	7,382,435	11,068,409

	Land	Buildings and Showrooms	Total
Balance at 1 January 2021	3,685,974	7,382,435	11,068,409
Additions during the year	-	3,653,334	3,653,334
Amortization during the year	(577,488)	(3,585,195)	(4,162,683)
Balance at 31 December 2021	3,108,486	7,450,574	10,559,060

Amortization of right of use assets for the year ended December 31, 2021 was allocated as follows:

	2021	2020
Cost of sales (note 24)	2,793,207	1,329,725
Selling and distribution expenses (note 25)	889,702	2,001,715
General and administrative expenses (note 26)	479,774	461,834
	4,162,683	3,793,274

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7. LEASES (CONTINUED)

(7.2) Lease liabilities

The weighted average incremental borrowing rate applied to the lease liability from 3.8% to 4.2%. The lease liabilities were allocated as at December 31, 2021, as follows:

	2021	2020
Balance at 1 January	11,501,085	10,040,018
Additions	3,137,849	5,504,639
Finance cost	515,410	345,426
Paid during the year	(2,738,830)	(4,388,998)
Total	12,415,514	11,501,085
	2021	2020
Within one year	4,688,151	4,176,850
Between one to five years	7,727,363	7,324,235
Total lease liabilities	12,415,514	11,501,085

8. INTANGIBLE ASSETS

Intangible assets consist of computer programs and software. The movement of intangible assets during the year, was as follows:

	Computer programs & software
Balance at 1 January 2020	792,669
Additions during the year	70,797
Amortization during the year (Note 26)	(302,105)
Balance at 31 December 2020	561,361
Balance at 1 January 2021	561,361
Additions during the year	(332,346)
Balance at 31 December 2021	229,015

9. GOODWILL

The goodwill balance of SAR 62,356,409 represents the excess in the investment cost at Global Marketing Company for Sleeping System Ltd. (a subsidiary) over the fair value of its net assets at the time of business combination.

The goodwill arising from a business combination is tested annually to verify whether it is impaired. The impairment test is based on the "value-in-use" calculation. These calculations are based on cash flow projections according to the estimated operating results of the cash generating units.

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9. GOODWILL (CONTINUED)

As at December 31, 2021, the Group's management reviewed the recoverable amount of goodwill. The recoverable amount was calculated on the basis of the value-in-use of the cash generating unit as determined by the Group's management and consists of the net operating assets of the subsidiary. In determining the value-in-use of the cash generating unit, the cash flows that were determined using the approved financial budgets were discounted by the management of the subsidiary for a period of five years at a discount rate of 9.58% (2020:9.32%) The calculation of value-in-use is generally affected by changes in the following key assumptions:

- The discount rate used in the cash flow estimates.
- Prices and sales quantities.

Based on the above study, no impairment was identified in the carrying amount of the goodwill recognized above.

Management believes that any reasonable change in the key assumptions will not result in impairment in value in use over the carrying amount of the respective cash-generating unit.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

This item comprises the following:

	<u>2021</u>	<u>2020</u>
a. <u>Arabian Industrial Fibers Company (Ibn Rushd)</u>		
Cost	132,900,000	132,900,000
Provision for impairment in value	(132,900,000)	(132,900,000)
Fair value	<u>-</u>	<u>-</u>
 b. <u>LSC Logistics & Warehousing Company</u>		
Fair value	<u>5,250,000</u>	<u>5,250,000</u>
 c. <u>Investment in an investment portfolio</u>		
Fair value	<u>55,004,333</u>	<u>38,774,506</u>
	<u>60,254,333</u>	<u>44,024,506</u>

- a. As at December 31, 2021, the financial assets at fair value through other comprehensive income (Arabian Industrial Fibers Company (Limited Liability Company)-Ibn Rushd) amounting to nil (2020: SAR nil). The Group's investment has been recognized at fair value.

The Group's management has fully reversed the investment amount as at December 31, 2019, by recognizing the fair value of these financial assets within the fair value reserve.

As at December 31, 2021, the Group's management has tested the fair value of the investment in Logistics & Warehousing Company (a closed joint stock company), using multiple approach methodology and comparing them with their related carrying amount. Based on several key assumptions that include estimating the future sales volumes, prices, operating costs, terminal values, and growth and discount rates for a period of five years.

The above study, for the current year, resulted in no significant decrease in the fair value of the investment proven above as on December 31, 2021.

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**10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
(CONTINUED)**

- b. Financial assets at fair value through other comprehensive income comprise equity shares at the value of a portfolio devoted to investment in shares of banks and other joint stock companies quoted in the Saudi stock market that are not held for sale and which the Group has made an irrevocable choice upon initial recognition of changes in fair value through other comprehensive income rather than profit or loss, as these are strategic investments that the Group considers to be more important. The Group maintains this portfolio with one of the licensed local brokerage firms in the Kingdom of Saudi Arabia. These investments were carried at fair value as of December 31, 2021, 2020, according to the closing prices at the end of trading on the date of the financial position.

The following is the movement in a quoted local stock portfolio investments during the year:

	2021	2020
At 1 January	38,774,506	21,137,694
Unrealized gains/(losses)	16,883,185	(344,719)
Net (disposals)/additions during the year	(653,358)	17,981,531
	<u>55,004,333</u>	<u>38,774,506</u>

- Valuation methods are disclosed in Note No. 31.

11. INVENTORY

	2021	2020
Raw materials	20,148,867	24,870,789
Finished goods	19,258,040	16,316,064
Spare parts	3,266,392	3,319,116
Accessories	696,426	-
	<u>43,369,725</u>	<u>44,505,969</u>
Goods in transit	894,237	10,740
Work in process	1,169,184	2,675,688
	<u>45,433,146</u>	<u>47,192,397</u>

* Provision for slow-moving and obsolete inventory movement was as follows:

	2021	2020
Provision for the year	5,877,662	4,058,836
Written-off during the year	(5,877,662)	(4,058,836)
	<u>-</u>	<u>-</u>

During the year ended December 31, 2021, the executive committee at a subsidiary, Global Marketing Company for Sleeping System Ltd. (Sleep High), and the branch, SIDC Ceramic Plant, decided to write-off a slow-moving and obsolete inventory, and damaged goods (retails products, warehouse finished-goods, raw materials) in addition to the decline in inventory value amounted to SAR 5,877,662 (2020: SAR 4,058,836).

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12. PREPAID EXPENSES AND OTHER DEBIT BALANCES

	2021	2020
Advances to suppliers	2,500,928	5,720,582
Provision for advances to suppliers	(90,344)	(24,530)
	2,410,584	5,696,052
Prepaid expenses	938,079	996,487
Bank Guarantees	450,000	450,000
Employee receivables	430,934	532,910
Refundable deposits	9,907	315,829
Value added tax	-	191,083
Other	434,143	497,577
	4,673,647	8,679,938

* Provision for advances to suppliers' movement is as follows:

	2021	2020
At 1 January	24,530	24,056
Provided during the year	1,084,367	-
used during the year	(1,019,071)	-
Foreign currency translation	518	474
	90,344	24,530

13. ACCOUNTS AND NOTES RECEIVABLES, NET

	2021	2020
Trade receivables	17,435,583	16,156,321
Notes receivable	598,438	146,677
Checks under collection	84,865	-
Allowance for expected credit losses	(387,423)	(260,531)
	17,731,463	16,042,467

Allowance for doubtful debts Movement is as follows:

	2021	2020
At January 1	260,531	723,173
Provision during the year	1,498,574	867,613
Written-off during the year	(1,372,162)	(1,342,579)
Foreign currency translation	480	12,324
	387,423	260,531

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14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The investment represent the value of portfolio devoted to investment in the shares of banks and other joint stock companies quoted in the Saudi stock market for the purpose of trading. The Group maintains this portfolio with one of the licensed local brokerage firms in the Kingdom of Saudi Arabia. Investments in securities purchased for trading are recognized at fair value as at December 31, 2021 and 2020, according to closing prices at the end of trading in the financial position date. The following is the movement in investments during the year:

	<u>2021</u>	<u>2020</u>
At 1 January	956,050	16,506,127
Unrealized gains	612,802	937,913
Net additions / (disposals) during the year	<u>2,366,168</u>	<u>(16,487,990)</u>
	<u>3,935,020</u>	<u>956,050</u>

15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprises cash at banks and other highly liquid investments with original maturities of three months or less.

	<u>2021</u>	<u>2020</u>
Cash at banks	10,165,606	16,355,541
Cash in hand	422,666	429,561
Checks collected in less than 90 days	1,227,526	-
Cash at investment portfolio account	<u>4,247</u>	<u>195,408</u>
	<u>11,820,045</u>	<u>16,980,510</u>

16. STATUTORY RESERVE

The Companies law in the Kingdom of Saudi Arabia and the Company's Bylaws require that 10% of the annual net income be transferred to the statutory reserve and that such transfer continues until the statutory reserve reaches 30% of the capital.

On June 14, 2020, the General Assembly approved the decision of the Board of Directors to absorb part of the accumulated losses amounting to SAR 8,099,375 from the statutory reserve. Accordingly, the management reversed the entire statutory reserve balance against the Group's accumulated losses.

The management didn't provide statutory reserve during 2021 due to accumulated losses.

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17. EMPLOYEE BENEFIT OBLIGATIONS

Accruals are made in accordance with the actuarial valuation under the projected unit credit method while the benefit payments obligation is discharged as and when it falls due.

The movement on the obligations during the year based on the present value is as follow:

	2021	2020
Present value of employees benefit liabilities at 1 January	13,626,166	17,495,220
Current service cost	2,333,703	1,278,638
Interest	442,843	433,990
Paid during the year	(593,851)	(2,545,455)
Advance payments	(765,856)	(3,260,097)
Actuarial losses from re-measurement of employees benefit obligation	1,070,003	223,870
Provision at 31 December	16,113,008	13,626,166

Principal actuarial assumptions

The following range of significant actuarial assumptions was used by the Company for the valuation of defined benefit obligation:

	2021	2020
Discount rate	2%	2,85%
Rate of salary increase	2%	2,5%

The impact of changes in sensitivities on present value of employee benefit obligations is as follows:

	2021	2020
Valuation discount rate		
- Increase by 0.5%	19,608,973	(1,052,215)
- Decrease by 0.5%	20,699,806	1,206,123
Expected rate of increase in salary level across different age bands		
- Increase by 0.5%	20,696,990	1,198,010
- Decrease by 0.5%	19,606,434	(1,065,288)

Expected cash flows over the next years valued on undiscounted basis are as following:

	2021	2020
1 year	2,669,774	884,418
2 to 5 years	12,524,349	6,599,573
6 to 10 years	9,483,116	8,970,852

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18. DEFERRED TAX LIABILITIES

As at 31 December the balance consists of temporary differences due to the following:

	2021	2020
Fixed assets	782,969	707,143
Deferred tax liability	782,969	707,143
Less:		
Deferred tax liability at the beginning of the year	(707,143)	(612,006)
Foreign currency translation	(1,309)	(12,379)
	74,517	82,758

19. ZAKAT AND INCOME TAX

a) Zakat base

	2021	2020
Shareholders' equity	211,831,554	217,954,610
Book value of non-current assets	(208,155,834)	(211,213,755)
Provisions	60,786,553	38,496,344
Adjusted profit for the year	6,984,852	2,345,684
Zakat base	71,447,125	47,582,883

b) Provision for zakat and income tax

The movement on provision for zakat is as follow:

	2021	2020
Balance at 1 January	8,616,703	10,707,131
Provision for the year	2,125,744	1,368,188
Paid during the year	(4,462,634)	(3,458,616)
	6,279,813	8,616,703

The movement on provision for income tax is as follow:

	2021	2020
Balance at 1 January	366,309	585,125
Provision for the year	1,234,119	449,067
Paid during the year	(346,713)	(667,883)
Balance at 31 December	1,253,715	366,309
Total	7,533,528	8,983,012

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19. ZAKAT AND INCOME TAX (CONTINUED)

c) Zakat and Tax Status of the Group

• SAUDI INDUSTRIAL DEVELOPMENT COMPANY (SIDC)

The Company finalized its zakat status with the ZATCA until the year ended 31 December 2018, after paying the zakat due to the ZATCA.

Financial year for 2019 and 2020

The company submitted its consolidated zakat return for the years 2019 and 2020 according to its consolidated financial statement, and the company obtained a zakat certificate.

On 11 November 2021, the Company has received revised final zakat assessments, which zakat differences were due on the final parent company amounting to (495,396) Saudi riyals, as the parent company objected to these assessments during the statutory period after it had paid (25%) of the zakat of the objected items amounting to 123,849 Saudi riyals, the objection is still under study.

The company formed a zakat provision for all the zakat differences that were objected to.

• GLOBAL MARKETING COMPANY FOR SLEEPING SYSTEM LTD. (SLEEP HIGH)

The Company finalized its zakat status with the ZATCA until the year ended 31 December 2005 after all the financial obligation to ZATCA were settled and paid.

Financial years from 2006 to 2014:

The Company submitted its zakat returns for the years 2006 to 2014 in accordance with the standalone financial statements.

The objection submitted by the Company on the zakat assessments for the years 2006 and 2007 and issued with a total zakat difference amounted to SAR 1,737,692, was discussed with the Preliminary Tax and Zakat Objection Committee (POC) in Jeddah, which issued its decision No. (1730) for the year 1438 H, to support ZATCA in all the items subject to the objection and its entitlement to those differences amounted to 1,455,444 Saudi riyals.

The objection submitted by the Company on the zakat assessment for the year 2008 with a total zakat difference amount to SAR 959,799 was discussed with the POC in Jeddah which issued its decision No. (2/1) for the year 1436 H to support ZATCA in all the items subject to the objection amounted to 958,340 Saudi riyals.

The company have a final zakat adjusted for year from 2009 to 2011 by total zakat differences amounted 2,785,989 Saudi riyals and the company objected against zakat tax committee in Jeddah, this objection was not discussed and no decision was issued until the end of 2021 to close the case with the General Secretariat of the Tax Committees, and the stages of litigation are being completed against the relevant authorities.

The company formed a zakat provision for the zakat differences for the items objected above with ZATCA in the amount of 4,589,861 Saudi riyals, which represent 88% of the total zakat differences amounting to 5,199,773 Saudi riyals.

No initial or final order was issued by the Authority for the years 2012 to 2014 until the end of 2021.

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19. ZAKAT AND INCOME TAX (CONTINUED)

c) Zakat and Tax Status of the Group (continued)

• **GLOBAL MARKETING COMPANY FOR SLEEPING SYSTEM LTD. (SLEEP HIGH) (CONTINUED)**

Financial years from 2015 to 2020:

The Company has been billed for zakat based on the consolidated zakat returns of the parent company (Saudi Industrial Development Company - SIDC)

the Company submitted the zakat returns for the years 2015 to 2020 standalone financial statement. The Company obtained zakat certificate.

• **Other subsidiaries**

The Company submitted consolidated financial statements and zakat return with the parent company Saudi industrial development company (SIDC).

The company submitted zakat returns for the years from 2015 to 2020 accordance with standalone financial statements and received zakat certificate.

• **EMMDAD LOGISTIC SERVICES COMPANY**

The Company finalized its zakat status with the ZATCA until the year ended 31 December 2019, after paying the zakat due to the ZATCA accordance with the zakat return submitted for 2020, and the company obtained a final certificate valid until 30 April 2022.

The company reply on all inquiries received from zakat, tax and customs Authority for zakat return submitted for 2020.

20. ACCRUED EXPENSES AND OTHER LIABILITIES

	2021	2020
Accrued expenses	4,060,663	5,981,023
Employee vacations and allowances	2,454,032	3,967,760
Contract liabilities	4,566,912	3,036,027
Value added tax	936,449	420,927
Social insurance	41,578	67,351
Employee payable	99,208	64,205
Other	992,004	381,878
	<u>13,150,846</u>	<u>13,919,171</u>

21. SHARES UNDERWRITING SURPLUS

The shares underwriting surplus amounting to SAR 6,350,898 is due to the subscribers of the Company who did not submit to the banks to receive the surplus due to them after the completion of the stocks' allocation since 1992.

22. CREDIT FACILITIES

The credit facilities of the group are represented by credit facilities granted by the Arab Investment Bank / Arab Republic of Egypt to finance the purchase of raw materials for one of the subsidiaries in the Arab Republic of Egypt, and their value during the year 2021 amounted to SAR 4,032,949 compared to (2020: SAR 4,037,368) and the credit facilities include the amount of Equivalent to 1,021,475 US dollars, equivalent to 16,018,975 Egyptian pounds, under the Murabaha system at a variable interest rate.

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23. REVENUE

	2021	2020
Mattresses and bed sales	142,336,615	138,914,518
Sanitary Ware Sales	13,351,938	18,618,816
Transportation and storage revenue	7,389,965	7,071,121
	163,078,518	164,604,455

The timing of revenue generation at a single point in time

- Geographical distribution of sales (note 29)

Contract Obligations:

	2021	2020
Contract Liabilities	4,566,912	3,036,027

Contract commitments at the end of the year represent advance payments received from customers during the year for providing bed and mattress transportation services to customers in the amount of SAR 2,126,309 (2020: SAR 2,132,539) and sanitary ware amounting to SAR 2,440,603 (2020: 903,488).

24. COST OF SALE

	2021	2020
Consumables and spare parts	99,968,759	85,017,172
Salaries, wages and employee benefits	16,365,313	21,530,674
Depreciation of property, plant and equipment (Note 6)	8,347,696	8,090,613
Transportation	2,657,943	3,494,160
Utilities	1,388,583	2,726,409
Maintenance	1,413,536	1,847,786
Subscription and licenses	1,420,594	1,716,964
Amortization of right of use assets (Note 7)	2,793,207	1,329,725
Insurance	385,791	496,233
Vehicles rent	266,868	475,795
Cleaning and hospitality	229,277	323,691
Other	1,032,734	1,907,579
	136,270,301	128,956,801

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25. SELLING AND DISTRIBUTION EXPENSES

	2021	2020
Salaries, wages and employee benefits	9,880,603	8,982,838
Advertising and media	2,437,923	318,538
Amortization of right of use assets (Note 7)	889,702	2,001,715
Depreciation property, plant and equipment (Note 6)	716,475	557,239
Communications and utilities	375,497	442,678
Subscription and licenses	224,399	318,326
Repairs and maintenance	17,322	107,823
Shipping expenses	-	575,299
Other	554,058	315,063
	15,095,979	13,619,519

26. GENERAL AND ADMINISTRATIVE EXPENSES

	2021	2020
Salaries, wages and employee benefits	19,824,638	17,719,754
High management and the board of directors salaries and remunerations	2,049,308	2,073,401
Visibility study	1,975,077	-
Subscription and licenses	1,270,395	756,961
Depreciation property, plant and equipment (Note 6)	1,197,596	1,469,851
Professional fees	1,151,308	1,324,812
Amortization of right of use assets (Note 7)	479,774	461,834
Amortization of intangible assets (Note 8)	332,346	302,105
Communications and utilities	343,036	919,268
Traveling and hospitality expenses	294,023	510,863
Repairs and maintenance	81,146	114,261
Other	3,032,160	2,312,709
	32,030,807	27,965,819

27. Impairment in the value of current assets

	2021	2020
Impairment in the value of inventory	5,877,662	4,058,836
Expected credit losses	1,498,574	867,613
Impairment of other receivables	1,084,367	-
	8,460,603	4,926,449

28. OTHER INCOME

	2021	2020
Scrap sales	6,079,285	4,823,068
Foreign currencies translation gains	58,480	121,345
Cash refundable - Ministry of Labor	-	60,438
(Loss) / Gain from sale of property and equipment	-	(38,656)
Other	406,786	404,024
	6,544,551	5,370,219

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29. (LOSS) EARNINGS PER SHARE

The share percentage has been computed on the basis of number of outstanding shares during the year represent to 40 million shares (2020: 40 million shares).

	2021	2020
Loss from operations	(28,779,172)	(10,864,133)
Number of shares	40,000,000	40,000,000
Share loss	(0.72)	(0.27)
	2021	2020
Loss for the year attributable to shareholders of the parent company	(24,495,507)	(3,246,508)
Number of shares	40,000,000	40,000,000
Share loss	(0.61)	(0.08)

30. SEGMENTAL INFORMATION

The Group has the following main business segments:

Mattresses and sponges segment, which includes the production and sale of various pressures sponges, mattress frames, beds and all their accessories.

The sanitary ware segment, which includes the production and sale of toiletries, ceramic wall and floor tiles, and acrylic bathtubs.

The following is the distribution of the Company's its subsidiaries activities and according to the operating and geographic segments, which represent the main business segments of the Group:

Operating Segment

	Mattresses and foam	Sanitary ware	Other Segments	Total
31 December 2021				
Total assets	175,056,939	45,065,179	80,806,146	300,928,264
Total liabilities	59,074,236	19,363,615	11,152,250	89,590,101
Net sales	149,726,580	13,351,938	-	163,078,518
loss for the year	(4,234,335)	(9,929,808)	(10,331,364)	(24,495,507)
31 December 2020				
Total assets	173,368,060	48,984,825	75,654,311	298,007,196
Total liabilities	52,365,120	15,734,509	12,898,402	80,998,031
Net sales	145,985,639	18,618,816	-	164,604,455
Loss for the year	17,117,770	(9,614,150)	(10,750,128)	(3,246,508)

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30. SEGMENTAL INFORMATION (CONTINUED)

Geographic Information

Description	Kingdom of Saudi Arabia	Arab Republic of Egypt	Total
31 December 2021			
Total assets	266,613,629	34,314,635	300,928,264
Total liabilities	80,172,984	9,417,117	89,590,101
Net sales	128,814,464	34,264,054	163,078,518
(Loss) / profit for the year	(27,737,207)	3,241,700	(24,495,507)
31 December 2020			
Total assets	266,625,362	31,381,834	298,007,196
Total liabilities	73,075,951	7,922,080	80,998,031
Net sales	136,566,543	28,037,912	164,604,455
(Loss) / profit for the year	(4,958,202)	1,711,694	(3,246,508)

31. LEGAL CLAIMS

- a) A final judgment was issued by the Court of Appeal in Case No. (2798) for the year 1434 H for the Saudi Industrial Development Company "SIDC" (the "Plaintiff") against Juhayna Trading, Industry and Contracting Co. Ltd. (the "Respondent"); to obligate the respondent to pay the plaintiff a total amount of approximately (15,193,873) SAR, and a final judgment was issued by the Court of Appeal requesting interpretation of the judgment in Case No. (2798) for the year 1434 H jointly by Juhayna Trading, Industry and Contracting Co. Ltd. ("Respondent"). and Abbas bin Ali bin Ahmed Abdel-Gawad in the payment of the amounts ordered for "SIDC" (the "Plaintiff"); An application for the execution of the judgment was also submitted to the Jeddah Execution Court against Juhayna Company. The application was registered with the number: (3901242395) dated 10/11/1439 H, and a decision (34) was issued against Juhayna Company, and after a decision (46); A request for execution of the judgment was also submitted to the Jeddah Execution Court against Abbas bin Ali bin Ahmed Abdel Gawad. The application was registered with the number: (401024200325192), dated 04/12/1442 H, and a decision was issued against Abbas bin Ali bin Ahmed Abdel Gawad (34), and after a decision (46), and after the death of the executor against him (Abbas Abdul-Jawad) – peace be upon him - a request was submitted to the execution judge to continue seizing the estate of the executor against him and seize it and not dispose of it until the rights of "SIDC" are fulfilled; Based on the above facts, the procedures for executing the judgment and the attempt to collect the amount are still ongoing by the enforcement court, and any amounts collected will be recorded directly upon collection.
- b) During 2019, the Arab Investment Bank filed a lawsuit against the Arabian spring and foam mattresses MFG company LTD. "Sleep high – Egypt" (a subsidiary company) for paying amounts in excess of the value of the credit facilities. On July 5, 2021 G, The court decided to dismiss the case and obligated the plaintiff (Arab Investment Bank) to pay the expenses and attorney fees, On October 20, 2021 G, the Arab Investment Bank filed an appeal against judgement issued in the case, and no session was set for it until the date of issuing the financial statement for the year 2021 G.

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32. RISKS MANAGEMENT

The Group's exposure to the risks, and its approach to managing these risks are set out below:

a) Credit Risk

Credit risk represents the accounting loss that will be recognized on the date of the financial position if the other parties do not comply with the contract. The Group applies policies to limit its exposure to credit risk. The maximum exposure to credit risk at the date of the financial position is as follows:

	December 31, 2021	December 31, 2020
Other debit balances (excluding advances)	1,324,984	1,987,399
Accounts receivable, net	17,731,463	16,042,467
Cash and cash equivalents	11,820,045	16,980,510
	30,876,492	35,010,376

The following is an analysis of the aging of accounts receivable:

December 31, 2021	Total	Less than 30 days	31-60 days	61-90 days	91-120 days	More than 120 days
Trade and notes receivables	18,118,886	8,883,742	5,052,795	1,911,315	568,838	1,702,196
Allowance for expected credit losses	1,759,105	74,706	65,753	114,179	93,020	1,411,447
Used from expected credit losses	(1,371,682)	-	-	(38,937)	(46,510)	(1,286,235)
Net expected credit losses	387,423	74,706	65,753	75,242	46,510	125,212
Loss rate		0.84%	1.3%	3.94%	8.18%	7.36%

December 31, 2020	Total	Less than 30 days	31-60 days	61-90 days	91-120 days	More than 120 days
Trade and notes receivables	16,302,998	8,648,863	4,618,563	1,288,553	275,188	1,471,831
Allowance for expected credit losses	1,603,110	48,457	42,650	48,805	30,168	1,433,030
Used from expected credit losses	(1,342,579)	-	-	-	-	(1,342,579)
Net expected credit losses	260,531	48,457	42,650	48,805	30,168	90,451
Loss rate		0.6%	0.9%	3.8%	11%	6.1%

Credit risk is the risk that one party to a financial instrument will not be able to fulfill a contractual obligation and cause the other party to lose money. Financial assets that subject the Group to significant credit risk mainly consist of trade and other receivables and cash and cash equivalents.

Trade receivables The Group applies the simplified model included in the accounting policies to realize the expected credit losses over the life of the instrument for all trade receivables as these items have no significant financing factor. When measuring ECL, trade receivables are assessed on an aggregate basis, respectively, and are classified based on common credit risk characteristics and term to maturity.

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32. RISKS MANAGEMENT (CONTINUED)

a) Credit Risk (continued)

An impairment analysis is performed at each financial reporting date using a dedicated ECL measurement table. The provision rates are based on the maturity period for different customer segments with similar loss patterns (ie by geographic region, type of service and type of customer). The calculation shows likely likely results and reasonable and supportable information that is available at the reporting date about past events, current conditions, and expectations about future economic conditions.

Trade receivables are written off (ie de-recognized) when there is no reasonable expectation of recovery. A default within 90 days from the date of the invoice and the inability to make an alternative payment arrangement, among other things, with the Group is indicative of an unreasonable expectation of recovery and therefore is considered as credit impairment.

Financial Instruments and Cash and Cash Equivalents

Bank balances with the Group's own banks, which are measured at amortized cost, are considered to be of low risk, and the loss allowance is calculated based on the expected losses for a period of 12 months.

Balances with the Group's private banks are placed in financial institutions with good credit ratings and no current history of default. Based on management's assessment, the impact of ECL on these financial assets is not significant to the Group as the risk of default has increased significantly since initial recognition.

The maximum exposure of the Group to credit risk arising from default or non-payment of the counterparty is limited to the carrying amount of due from related parties, trade and other receivables and cash and cash equivalents.

b) Fair value or interest rate risk

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 accompanying financial statements are prepared on the historical cost basis except for the financial investments, which are measured at fair value and employee benefit obligations, which have been actuarially valued. Differences may arise between the book value estimates and the fair values, as management believes that the fair values of the Group's assets and liabilities are not significantly different from the fair values.

Interest rate risk arises from the possibility that fluctuations in interest rates will affect future profitability. The Group is exposed to interest rate risk on its interest-paying assets and liabilities, including loans and bank facilities. Management limits interest rate risk by monitoring interest rate fluctuations.

c) Currency Risk

Certain items of the Group are denominated in foreign currencies, which exposes the Company to the risk of fluctuation in the prices of these currencies. The Group may from time to time enter into forward exchange contracts to manage the currency risk and requirements primarily related to the import of certain items in foreign currencies.

d) Commission Rate Risk

Commission rate risk represents the risk that the value of financial instruments will fluctuate as a result of changes in the commission rates prevailing in the market.

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32. RISKS MANAGEMENT (CONTINUED)

e) Liquidity Risk

It is the risk of the Group's inability to secure the necessary liquidity to meet commitments related to financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed through periodic monitoring to ensure that sufficient liquidity is available to meet any future commitments. Below are the contractual maturities of financial liabilities at the end of the financial year. Amounts are shown gross, undiscounted and include estimated interest payments.

December 31, 2021	Carrying amount	On Demand or Less than one year	From one year to 5 years	More than 5 years
Non - Derivatives Financial Instruments				
Credit facilities	4,032,949	4,032,949	-	-
Lease liabilities	13,561,748	4,912,484	8,649,264	-
Accounts payable and other payables	42,361,235	42,361,235	-	-
	<u>59,955,932</u>	<u>51,306,668</u>	<u>8,649,264</u>	<u>-</u>
December 31, 2020		On Demand or Less than one year	one year to 5 years	More than 5 years
Non - Derivatives Financial Instruments				
Credit facilities	4,037,368	4,037,368	-	-
Lease liabilities	12,016,495	4,692,260	7,324,235	-
Accounts payable and other payables	35,792,359	35,792,359	-	-
	<u>51,846,222</u>	<u>44,521,987</u>	<u>7,324,235</u>	<u>-</u>

f) Price Risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether these changes are the result of specific factors for the instrument, the issuer, or factors affecting all instruments traded in the market. The Group is exposed to market risk with respect to their held investments at equity which classified as financial assets at fair value at the statement of financial position. The Group diversify their portfolio to manage the resulted price risk from the investment in the equity share.

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32.RISKS MANAGEMENT (CONTINUED)

g) Fair Value Measurement

Fair value is the amount for which an asset is exchanged or a liability settled between knowledgeable and willing parties on fair terms. Where the financial instruments of the Group are recognized on the historical cost basis only and there are differences between the carrying amounts and the fair value estimates, management believes that the fair values of the Group's financial assets and liabilities are approximate to their carrying values.

	Carrying amount		Fair Value			
	Amortized Cost	Fair Value	Level (1)	Level (2)	Level (3)	Total
December 31, 2021						
<u>Financial Assets</u>						
Cash and cash equivalents	11,820,045	-	-	-	-	-
Financial assets at fair value through profit or loss	-	3,935,020	3,935,020	-	-	3,935,020
Financial assets at fair value through other comprehensive income	-	60,254,333	55,004,333	-	5,250,000	60,254,333
Accounts and notes receivable	17,731,463	-	-	-	-	-
	<u>29,551,508</u>	<u>64,189,353</u>	<u>58,939,353</u>	<u>-</u>	<u>5,250,000</u>	<u>64,189,353</u>
<u>Financial Liabilities</u>						
Accounts payable	29,210,389	-	-	-	-	-
Credit facilities	4,032,949	-	-	-	-	-
Lease liabilities	12,415,514	-	-	-	-	-
	<u>45,658,852</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
December 31, 2020						
<u>Financial Assets</u>						
Cash and cash equivalents	16,980,510	-	-	-	-	-
Financial assets at fair value through profit or loss	-	956,050	956,050	-	-	956,050
Financial assets at fair value through other comprehensive income	-	44,024,506	38,774,506	-	5,250,000	44,024,506
Accounts and notes receivable	16,042,467	-	-	-	-	-
	<u>33,022,977</u>	<u>44,980,556</u>	<u>39,730,556</u>	<u>-</u>	<u>5,250,000</u>	<u>44,980,556</u>
<u>Financial Liabilities</u>						
Accounts payable	21,873,188	-	-	-	-	-
Credit facilities	4,037,368	-	-	-	-	-
Lease liabilities	11,501,085	-	-	-	-	-
	<u>37,411,641</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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33. Related party transactions

Salaries and remunerations of top management

	Nature of transaction	2021	2020
Top management employee	Salaries and allowances	1,675,500	1,675,500
End of service benefits	Employee benefit obligations	1,114,310	972,402
Remunerations	Top management remunerations	1,550,000	1,550,000
		4,339,810	4,197,902

34. Subsequent events

The parent company had the following net assets and net profits in foreign currencies (Egyptian pounds) through one of its subsidiaries in the Arab Republic of Egypt:

	December 31, 2021	December 31, 2020
Net assets	24,897,518	23,459,754
Net profit	3,241,700	1,711,694

On Monday, March 21, 2022G, the value of the Egyptian pound fell against the Saudi Riyals by about 15 percent, as it recorded at midnight on Tuesday, March 22, 2022G, 4.92 pound against Saudi riyal.

The table below includes an analysis of the impact of the 15% decrease of the Egyptian pounds against the Saudi riyal from the levels applied on December 31, with other variables remaining constant in equity. The effect of the increase in foreign currency is expected to be equal and opposite to the effect of the increase shown:

Currency	Changes Exchange Rate %	Effect on gain / (loss) for the year		Effect on Equity for the year	
		2021	2020	2021	2020
EGP	15%	-	-	(3,734,628)	(3,518,963)
EGP	15%	(486,255)	(256,754)	-	-

35. COMPARATIVES FIGURES

Certain figures have been reclassified for the year ended 31 December 2020 to conform with the current year figures.

36. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been approved by the Board of Directors on 21 Sha'aban 1443H, (corresponding to 24 March 2022G).