AL ABDULLATIF INDUSTRIAL INVESTMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
RIYADH – KINGDOM OF SAUDI ARABIA

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2021

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

Consolidated Financial statements for the year ended December 31, 2021

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MOORE

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

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

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of Al Abdullatif Industrial Investment Company (a Saudi Joint Stock Company) (the "Company") and its subsidiaries (collectively referred to as the "Group") which comprise the consolidated statement of financial position as of December 31, 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in shareholders' equity and the consolidated statement of cash flows for the year then ended and the accompanying notes (1) to (34) to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

Key audit matters

The key audit matters are those matters which, according to our professional judgment, were of most significance in the course of our audit of the consolidated financial statements for 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 opinion thereon and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS
AL ABDULLATIF INDUSTERIAL INVESTMENT COMPANY
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RIYADH - SAUDI ARABIA

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

The following are description of each of the key audit matters and how we addressed them:

Revenue recognition	
The key audit matter	**How our audit addressed the key audit matter**
Revenue recognition is considered a key audit matter as revenue is an important element of the Group's performance and results and includes inherit risks that may cause the management to override the internal control procedures by recognizing revenues with more than their actual value in order to achieve the goals or to improve the Group's results. As stated in note (22), the Group realized for the year ended December 31, 2021 a total revenue amounting to SR 641,516 thousand (2020: SR466,094 thousand).	The audit procedures which we performed, among other matters based on our judgment, included the following: • Tested the design of internal control procedures and their effectiveness in relation to recognition of revenue and the related receivables thereof. • Tested the cut-off procedures to ensure recording of revenue in their correct periods. • Performed analytical procedures to understand the causes of revenue variance compared with the previous year and verify their logic and determine whether there are significant fluctuations which need additional review in the light of our understanding of the current market conditions. • Performed detailed tests to a sample of the sold products and verify the proper application of revenue recognition policy. • Verified the appropriateness of the accounting policy to realize the Group's revenue in accordance with the requirements of IFRS 15: Revenue from Contracts with Customers.
* Refer to notes (3.17) to the consolidated financial statements regarding the accounting policy related to revenue.	

Recoverability of trade receivables	
The key audit matter	**How our audit addressed the key audit matter**
The collectability of trade receivables is considered a key audit matter being a major element by the Group Management for the working capital that is managed on an ongoing basis, and because the determination of impairment of trade receivables using expected credit losses models includes significant judgments and estimates that may have a material impact on the Group's consolidated financial statements. Management makes significant judgments, estimates and assumptions to measure and record expected credit losses. As indicated in note (10), the total balance of trade receivables as of December 31, 2021 amounted to SR 429,599 thousand (2020: SR 361,586 thousand), and a provision of SR 19,003 thousand (2020: SR15,401 thousand) was made for expected credit losses as of December 31, 2021.	The audit procedures which we performed, among other matters based on our judgment, included the following: • Tested the Group's procedures for controlling receivables, including controls over credit terms. • Tested a sample of receivable balances being provided for during the year to determine the appropriateness of judgments, estimates and assumptions set by the Management, and to assess the approaches performed by the Group in order to determine the probability of default and the extent of including the information related to the future expectations when accounting for the expected credit losses. • Performed an analysis of significant receivables that are more than one-year-old and no provision has been made for them by the Group's Management, taking into account the collections of the subsequent period to determine whether there are indicators of impairment. • Reviewed arrangements and/or correspondence with internal and external clients' receivables for the purpose of assessing collectability of long-standing overdue material amounts. • Evaluated the adequacy of the disclosures included in the financial statements in accordance with the requirements of IFRS 9: Financial Instruments and IFRS 7: Disclosures.
* Refer to note (3.16) to the consolidated financial statements of the accounting policy related to financial instruments.	

EL SAYED EL AYOUTY & CO.
CERTIFIED PUBLIC ACCOUNTANTS
P.R. 4030291245

INDEPENDENT AUDITOR'S REPORT

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

Inventory evaluation:

The key audit matter	How our audit addressed the key audit matter
Inventory is considered a key audit matter due to the nature of the activity of the Group that depends primarily on the inventory in generating revenue and the extent of its impact on business results, and because the valuation of inventory and determination of its impairment require using several key assumptions and estimates that may have material impact on the Group's financial statements. As stated in note (9), the total balance of inventory as of December 31, 2021 amounted to SR 335,754 thousand (2020: SR 340,271 thousand). A provision was made for impairment of inventory as at December 31, 2021 amounting to SR 5,466 thousand (2020: SR 4,604 thousand).	The audit procedures which we performed, among other matters based on our judgment, included the following: • We attended and observed the Group's annual inventory count as of December 31, 2021 to verify the physical existence and the good condition of a sample being randomly selected from items. • Tested the validity of inventory measurement at the lower of cost or net recoverable value. Also, we reviewed the Group's policy to determine the cost using the weighted average method. • Tested the reasonableness of estimates used by the Group to examine the impairment of obsolete and slow-moving inventory. • Evaluated the adequacy of the disclosures included in the financial statements in accordance with the requirements of the relevant IFRS.

* Refer to note (3.5) to the consolidated financial statements of the accounting policy related to inventory

Property, plant and equipment:

The key audit matter	How our audit addressed the key audit matter
Property, plant and equipment are considered a key audit matter as measurement of depreciation and impairment of property, plant and equipment requires the Management to make judgments, assumptions and estimates related to determining the useful life and method of depreciation and perform a test for the impairment of property, plant and equipment (if any). As indicated in note (5), the net book value of property, plant and equipment as of December 31, 2021 amounted to SR 228,584 thousand (2020: SR 298,646 thousand).	The audit procedures which we performed, among other matters based on our judgment, included the following: • Examined and reviewed the internal controls related to financial operations in connection with property, plant and equipment. • Performed an analytical and documentary study for movements of additions and disposals made to the account of property, plant and equipment. • Verified the physical existence and ownership of the Group of such property, plant and equipment. • Verified the correctness of the computation of depreciations according to the Management's estimates for the useful life. • Verified that there are no indicators of impairment of property, plant and equipment that require an impairment review. • Verified the correctness of the presentation, disclosure and accounting policies in accordance with the relevant IFRS.

* Refer to note (3.2) to the consolidated financial statements of the accounting policy related to property, plant and equipment.

MOORE

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Certified Public Accountants

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

Other information

Other information consists of the information included in the Group's annual report for the year ended December 31, 2021 other than the consolidated financial statements and the auditor's report thereon. The Group's Management is responsible for the other information mentioned in its annual report. It is expected that the annual report will be available to us subsequent to the date of this auditor's report.

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

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS as endorsed in the Kingdom Saudi Arabia and other standards and pronouncements that are issued by SOCPA, and the provisions of the Companies Law and the Company's Articles of Association and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

CERTIFIED PUBLIC ACCOUNTANTS
EL SAYED EL AYOUTY & CO.

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

Auditors' responsibilities for the audit of the consolidated financial statements...(continued)

- 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 a fair presentation.

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

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

Among the matters communicated to those charged with governance, we identify those matters that we considered most significant when auditing the consolidated financial statements of the current period, and which are considered main audit matters. We explain these matters in our report unless a law or regulations prevent public disclosure of a matter, or when we see, in extremely rare circumstances, matters that should not be reported in our report because the negative consequences of doing so are reasonably expected to outweigh the public interest of this reporting.

For EL SAYED EL AYOUTY & CO.

A. Balamash

Abdullah AhmadBalamash
Certified Public Accountant
License No. (345)

Riyadh: March 31, 2022 G.
Shaban 28, 1443 H.

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

Consolidated statement of financial position as at December 31, 2021

(All amounts in thousands Saudi Riyals unless otherwise stated)

	Note	As at December 31, 2021	2020
Assets			
Non-current assets			
Property, plant and equipment - net	5	228,584	298,646
Investment properties - at cost	6	87,005	50,000
Right-of-use assets – net	7.1	17,158	17,798
Investments at fair value through other comprehensive income (FVOCI)	8	94,804	82,775
Total non-current assets		427,551	449,219
Current assets			
Inventory - net	9	350,288	335,667
Trade receivables - net	10	410,596	346,185
Due from a related party	11.1	41,353	38,798
Prepayments and other debit balances	12	41,275	27,517
Investments at fair value through profits or losses	13	8,950	8,750
Cash and cash equivalents	14	72,430	76,651
Total current assets		924,892	833,568
Total assets		1,352,443	1,282,787
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	15	812,500	812,500
Statutory reserve	16	241,429	241,429
Reserve of valuation of investments at fair value		7,491	(4,538)
Retained earnings		33,483	82,314
Total Shareholders' equity		1,094,903	1,131,705
Non-current liabilities			
Lease obligations – non-current portion	7.2.2	16,639	17,131
Employees' defined benefit obligations	17	16,836	13,428
Total non-current liabilities		33,475	30,559
Current liabilities			
Banks - credit facilities	18	152,951	66,304
Lease obligations – current portion	7.2.1	1,315	1,202
Trade payables	19	30,631	12,879
Due to a related party	11.2	147	185
Accrued expenses and other credit balances	20	16,770	16,858
Dividends payable		481	1,076
Provision for zakat	21	21,770	22,019
Total current liabilities		224,065	120,523
Total liabilities		257,540	151,082
Total Shareholders' Equity and Liabilities		1,352,443	1,282,787

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

The accompanying notes (1) to (34) form an integral part of these consolidated financial statements

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

Consolidated statement of profits or losses and other comprehensive income for the year ended December 31, 2021
(All amounts in thousands Saudi Riyals unless otherwise stated)

	Note	2021	2020
Revenue	22	641,516	466,094
Cost of revenue	23	(622,728)	(435,796)
Gross profit		**18,788**	**30,298**
Selling and marketing expenses	24	(24,541)	(15,608)
General and administrative expenses	25	(20,389)	(21,302)
Other income	26	5,813	7,115
(Loss) profit from operating activities		**(20,329)**	**503**
Net cost of finance	27	(2,657)	(3,626)
Dividends income		352	447
Profits of valuation of investments at fair value through profits or losses	13	200	309
Net (loss) for year before Zakat		**(22,434)**	**(2,367)**
Zakat	21	(25,320)	(22,464)
Net (loss) for the year		**(47,754)**	**(24,831)**
Other comprehensive income:			
Items that will not be re-classified to profit or loss:			
Actuarial (losses) of re-measurement of employees' defined benefits	17	(1,077)	(1,113)
Items that will be re-classified to profit or loss:			
Reserve of valuation of investments at fair value	8	12,029	8,823
Other comprehensive income items		**10,952**	**7,710**
Comprehensive (loss) for the year		**(36,802)**	**(17,121)**
Net (loss) for the year attributable to:			
Company's Shareholders		(47,754)	(24,831)
Net (loss) for the year		**(47,754)**	**(24,831)**
Comprehensive income for the year attributable to:			
Company's Shareholders		(36,802)	(17,121)
Comprehensive (loss) for the year		**(36,802)**	**(17,121)**
Basic and diluted (loss) attributable to Company's shareholders of net (loss) for the year in Saudi Riyals	28	**(0.59)**	**(0.31)**

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

The accompanying notes (1) to (34) form an integral part of these consolidated financial statements

AL ABDULLATIF INDUSTRIAL INVESTMENT COMPANY

(A SAUDI JOINT STOCK COMPANY)

Consolidated statement of changes in shareholders' equity for the year ended December 31, 2021

(All amounts in thousands Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Reserve for valuation of investments at fair value	Retained earnings	Total shareholders' equity
For the year ended December 31, 2020					
Balance at January 1, 2020	812,500	241,429	(13,361)	108,258	1,148,826
Net (loss) for the year	-	-	-	(24,831)	(24,831)
Other comprehensive income for the year	-	-	8,823	(1,113)	7,710
Net (loss) and other comprehensive income for the year	-	-	8,823	(25,944)	(17,121)
Balance at December 31, 2020	**812,500**	**241,429**	**(4,538)**	**82,314**	**1,131,705**
For the year ended December 31, 2021					
Balance at January1, 2021	812,500	241,429	(4,538)	82,314	1,131,705
Net (loss) for the year	-	-	-	(47,754)	(47,754)
Other comprehensive income for the year	-	-	12,029	(1,077)	10,952
Net (loss) and other comprehensive income for the year	-	-	12,029	(48,831)	(36,802)
Balance at December 31, 2021	**812,500**	**241,429**	**7,491**	**33,483**	**1,094,903**

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

The accompanying notes (1) to (34) form an integral part of these consolidated financial statements

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

Consolidated statement of cash flows for the year ended December 31, 2021
(All amounts in thousands Saudi Riyals unless otherwise stated)

	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss) for the year		(47,754)	(24,831)
Adjustment for net (loss) for the year:			
Dividends income		(352)	(447)
Depreciation on property, plant and equipment		47,617	49,566
Gains on disposal of property, plant and equipment		(1,245)	(153)
Depreciation of right-of-use assets		1,587	1,590
Profits of valuation of investments at fair value through profits or losses		(200)	(309)
Interests on bank facilities		1,700	2,763
Interests on leases		923	967
Impairment of inventory		941	-
Impairment of trade receivables		3,602	5,000
Employees' defined benefit obligations		6,027	4,243
Provisions reserved		-	(69)
Zakat		25,320	22,464
		38,166	**60,784**
Changes during the year in:			
Inventory		(15,562)	39,343
Trade receivables		(68,013)	9,906
Due from a related party		(2,555)	(346)
Prepayments and other debit balances		(13,758)	13,102
Trade payables		17,752	(4,855)
Due to a related party		(38)	185
Accrued expenses and other credit balances		(88)	(5,731)
Dividends payable to Shareholders		(595)	-
Provision for zakat paid		(25,569)	(18,826)
Employees' defined benefit obligations paid		(3,696)	(3,313)
Net cash flows (used in) from operating activities		**(73,956)**	**90,249**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(15,599)	(6,914)
Proceeds from disposal of property, plant and equipment		2,284	153
Dividends income		352	447
Purchase of investments at FVTOCI		-	(1,575)
Proceeds from disposal of investments at FVTPL		-	7,817
Net cash flows (used in) investing activities		**(12,963)**	**(72)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance obtained from banks - credit facilities		252,939	66,293
Finance from banks - credit facilities paid		(167,992)	(147,107)
Lease liabilities paid		(2,249)	(2,395)
Net cash flows from (used in) financing activities		**82,698**	**(83,209)**
Net (decrease) increase in cash and cash equivalents		**(4,221)**	**6,968**
Cash and cash equivalentsat beginning of the year		76,651	69,683
Cash and cash equivalents at end of the year	14	**72,430**	**76,651**
Supplemental information on non-cash transactions			
Right-of-use assets against lease obligations		(947)	-
Transferred from property and equipment to investment properties		37,005	-

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

The accompanying notes (1) to (34) form an integral part of these consolidated financial statements

Notes to the consolidated financial statements for the year ended December 31, 2021
(All amounts in thousands Saudi Riyals unless otherwise stated)

1. General

Al Abdullatif Industrial Investment Company ("the company") is a Saudi Joint Stock Company incorporated in accordance with the Saudi Companies Law pursuant to Ministerial Resolution No. 3120 on 23/10/1427H (14/11/2006) and Ministerial Resolution No. 188 on 27/7/1427H (17/1/ 2007), upon which the Company received the approval to convert from a limited liability company to a Saudi joint stock company. The Company is registered in the commercial registration of Riyadh under No. 1010073685 on 26/2/1410H (26/9/1989) valid until 25/2/1447H (19/8/2025). The mailing address of the Company's head office is: Riyadh, P.O. Box 859, Postal Code 11421.

1.2. Main activities of the Company:

Industry, Floor rug manufacturing including (prayer and travel rugs) and carpet manufacturing under industrial license No. 411 on 13/2/1439 H.

1.3. The consolidated financial statements as of December 31, 2021 include the financial statements of the Parent Company and the following subsidiaries, collectively referred to as the "Group":

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

1.4. The group's fiscal year starts from the January1st of each calendar year and ends at end of December of the same year. The presented financial statements for the year ended December 31, 2021 compared to the year ended December 31, 2020.

2. Basis of preparation

2.1. Statement of compliance

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

2.2 Basis for consolidation of financial statements

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

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies so as to obtain benefits from its activities. Control is presumed to exist over the subsidiary when the Company owns, directly or indirectly, more than half of the voting power of an investee unless, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute control. Control also exists when the Company owns half or less of the voting power of an investee but has other power to govern the financial and operating policies of the entity.

The assets, liabilities and results of the subsidiaries are consolidated in full from the date of acquisition, being the date when control is transferred to the Group. Consolidation continues until the date of such control ceases.

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

Inter-company transactions, balances, income, expenses, unrealized gains and losses on transactions and dividends are eliminated in full.

2.3 Basis of measurement

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

2.4 Presentation currency

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

2.5 Use of judgments, estimates and assumptions

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

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

The most significant accounting judgments, estimates and assumptions

2.5.1 Judgments

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

Fulfillment of performance obligations

The Group evaluates each of its contracts with customers to determine whether performance obligations have been satisfied over time or at a point in time in order to determine the appropriate method for recognizing revenue under the provisions of the relevant laws and regulations.

Determination of transaction prices

The Group determines transaction prices in relation to each of its contracts with customers. When making such judgment, it assesses the impact of any variable consideration in the contract as a result of discounts or fines and the existence of a significant financing component within the contract, or any non-cash consideration within the contract.

The most significant accounting judgments, estimates and assumptions

Classification of investment properties

The Group determines whether the property qualifies as investment property under IAS 40: Investment properties. In making such judgment, the Group considers whether the property generates cash flows largely independently of other properties and equipment.

The following notes include information about other judgments:

- Note (3.3) classification of leases

2.5.2 Assumptions and estimates

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

Going concern

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

Useful lives of property, plant and equipment

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

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

2.5.2 Assumptions and estimates...(continued)

Fair value measurement of financial instruments

When the fair value of the financial assets and liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible but where this is not feasible, a degree of judgment is required in establish fair value. Judgments include considerations of inputs such as liquidity risks, credit risks and volatility. Changes in the assumptions relating to these factors can affect the reported fair value of the financial instruments. The contingent consideration resulting from a business combination is assessed at the fair value on the acquisition date, as part of the business combination. If the consideration meets the definition of a financial liability, it will be subsequently remeasured at the fair value in each reporting date. Fair value is determined based on discounted cash flows. Underlying assumptions take into account the possibility of fulfilling each objective of performance and discount factor.

Interest rate implicit in leases

The Group cannot readily determine the interest rate implicit in all leases. Therefore, it uses the Incremental Borrowing Rate (IBR) to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make Group-specific estimates.

Allowance for expected credit losses on trade receivables

The Group calculates ECL for trade receivables by relying on past default experience monitored by the Management as per debt aging. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions.

Impairment of non-financial assets

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

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

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

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

2.5.2 Assumptions and estimates...(continued)

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

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

- Note (3.5) Impairment of inventory
- Note (3.11) Measurement of employee defined benefit obligations
- Note (3.13): Provisions
- Note (3.16.1): Impairment of financial assets measured at cost or amortized cost

3. Significant accounting policies

3.1 Current/non-current classification of assets and liabilities

The Group presents its assets and rights in the balance sheet based on current/non-current classification as follows:

Assets

An asset is classified as current when:

- It is expected to be realized or intended to be sold or consumed in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is expected to be realized within twelve months after the reporting period; or
- is cash or 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.

Liabilities

A liability is classified as current when:

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

All other liabilities are classified as non-current.

3.2 Property, plant and equipment

Recognition and measurement

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

The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located.

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

Derecognition

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within the statement of profit and loss.

Subsequent costs of acquisition

The cost of replacing a part of an item of property, plant equipment, renovations and major improvements is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized.

The costs of the day-to-day servicing of property, plant and equipment are recognized in the statement of profit and loss as incurred.

Deprecation

Depreciation is calculated based on the cost of assets less the residual value. The significant components of individual assets are estimated. If a component has a useful life different from the useful life of the remaining asset, the useful life of that component is depreciated independently.

Depreciation is recognized in the statement of profit and loss using a straight-line method over the estimated useful life of each component of property, plant and equipment. The methods of depreciation, useful lives and residual value are reviewed at each reporting date, and adjusted if appropriate. Depreciation of an asset begins when it is available for use. Depreciation of an asset ceases at the earlier of when the asset is classified as held for sale or is when the asset is derecognized.

The following are the estimated useful lives of property, plant and equipment:

-	Buildings and roads	10 - 13.3 years	-	Plant, equipment and main spare parts*	12 – 20 years
-	Vehicles	4 years	-	Furniture, fixture and office equipment	6 – 7 years

* Main spare parts are depreciated after reducing usage over a useful life of 8 years.

3.2 Property, plant and equipment...(continued)

Costs of discontinued operations (decommissioning liability)

Provision for discontinued operations is recognized when the Group bears the responsibility for restoration or remediation of the land. The degree of ceasing operations and the associated costs depend on the current statutory and regulatory requirements.

The costs included in the provision comprise all liabilities for discontinued operations expected over the useful life of the assets. The provision for discontinued operations is discounted to its present value and is capitalized within property, plant and equipment and depreciated as an expense over the expected useful lives of the assets.

3.3 Leasing

Determining whether a contract is (or contains) a lease depends on the substance of the agreement at the inception of the lease. A contract is, or contains, a lease if the contract gives the right to control the use of an asset for a period of time in exchange for consideration.

A single recognition and measurement model is applied to all leases except for short-term or low-value leases. The right-to-use assets and lease liabilities are recognized at the inception of the lease.

Right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- The amount of initial recognition of lease liabilities;
- Lease payments made at or before the commencement date minus lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are depreciated on a straight-line basis over the shorter of expected useful life or the lease term.

Lease obligations

Lease obligations are initially measured at the present value of lease payments that are not paid at the inception of the lease, which include:

- Fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- Variable lease payments that depend on an index or a rate;
- Amounts expected to be paid under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

3.3 Leasing...(continued)

Lease obligations...(continued)

If the lease payments are discounted using the incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Each lease payment is apportioned between the finance cost and the reduction of the outstanding liability. Finance costs are charged to the statement of profit or loss over the term of the relevant lease so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Short-term or low-value leases

Short-term leases are leases with a lease term of 12 months or less. Payments related to short-term leases and leases of low-value assets on a straight line basis are recognized as an expense in the statement of profits or losses.

3.4 Investment property

Investment property is property held to earn rentals or for capital appreciation or both for undetermined future use, rather than for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative functions.

Investment property acquired at initial recognition is measured at cost (including transaction costs). Upon subsequent measurement, the Group uses the cost model in accordance with the mandatory decision regarding joint stock companies issued by the Capital Market Authority, which expires at the end of 2021. The fair value of investment property is disclosed in accordance with the disclosure requirements of IAS 40 and is determined based on an annual valuation by an accredited external valuer using the recommended valuation method as per international and internal valuation standards.

An investment property should be derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated statement of profits or losses in the year of derecognition.

3.5 Inventory

Inventories are measured at lower of cost and net realizable value.

<u>The cost is determined as follows:</u>

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

Work in progress and finished goods: It includes the cost of materials used in production in addition to the cost of direct labor and all other direct and indirect expenses incurred in connection with converting the product and bringing it to its present location and condition.

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

3.5 Inventory...(inventory)

Impairment of inventory

An assessment is made at each reporting date whether any inventories are impaired by comparing the carrying amount of each inventory item (or a group of similar items) with the selling price less the cost of completion and sale. If the net selling price is less than the carrying amount, the impairment loss is recognized for the inventory.

3.6 Transactions with related parties

Transactions with related parties include the transfer of resources, services, obligations or financing between the Group and the related party, regardless of whether such transactions are conducted on terms equivalent to those prevailing in an arm's-length transaction.

A related party is a person that is related to the reporting entity or a close member of that person's family is related to a reporting entity if that person:

a. is a member of the key management personnel of the reporting entity*;
b. has control or joint control over Group reporting entity;
c. has significant influence over the Group's decision-making process and policies.

* Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including any directors whether executive or otherwise of the entity.

An entity is related to a reporting Group if any of following conditions applies:

a. The entity and the reporting entity are members of the same group or both entities are jointly owned;
b. One entity is an associate or joint venture of the other entity;
c. The entity is controlled by the reporting entity or vice versa or the entity and the reporting entity are jointly controlled.

3.7 Accounts receivable

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

Trade receivables arise when the Company provides a service to a customer on credit. The Management of the Company does not impose any commissions or interest on trade receivables.

3.8 Cash and cash equivalents

Cash and cash equivalents within the statement of financial position comprise cash with banks, cash on hand, and short-term deposits with original maturities of three months or less. They are exposed to insignificant risks for change in value.

3.9 Statement of cash flows

Statement of cash flows is prepared according to the indirect method.

For the purpose of preparing the statement of cash flows, cash and cash equivalents comprise cash with banks, cash on hand and the above short-term deposits less outstanding overdraft accounts that form an integral part of the Company's cash management.

3.10 Account payables and accrued expenses

Account payables and accrued expenses are recognized for amounts to be paid in the future for goods and services received, whether or not billed to the Company.

Trade payables are liabilities that the Company has incurred during the ordinary course of business on the basis of normal credit terms and they are non-interest bearing.

3.11 Employee benefits

Defined benefit plan (End-of-Service 'EOS' benefits)

The Company operates a defined benefit plan for end of service benefits in line with the Labor Law requirement in the Kingdom of Saudi Arabia. The payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment. As defined by the conditions stated in the Labor Regulations of the Kingdom of Saudi Arabia, employees' end of service benefit plans are unfunded plans whereby the benefit payment obligations are met by concerned entities when they fall due.

The defined benefits obligation is periodically re-measured by an actuary using the projected credit unit method. The amount of obligation is calculated on the basis of the present value of the estimated future cash outflows discounted at the discount rate used.

The costs of the defined benefit obligations for the initial periods are calculated on an annual basis using the actuarially defined pensions cost rate at the end of the previous year, adjusted for significant market fluctuations and any significant onetime events, such as scheme adjustments or manpower cuts and reimbursements.

Actuarial gains and losses arising from remeasurement of defined benefit plan obligation are recognized in the statement of other comprehensive income. The company calculates interest expense by applying the discount rate used to measure the net defined benefit obligation. The net interest expense and other expenses related to defined benefit plans recognized in the statement of profits or losses.

Short-term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, non-cash benefits, annual leave, sick leave, air tickets and other allowances during the period in which the employees render the related service. The liability is recorded at the undiscounted amount of the benefits expected to be paid in exchange for that service. Liabilities recognized in respect of short term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

3.12 Zakat and tax

Zakat

The Group is subject to zakat regulations set by the laws and instructions of the Zakat, Tax and Customs Authority according to the zakat standard.

Zakat is calculated at the higher of the zakat base including zakat income or adjusted net income, which is calculated through the consolidated financial statements of the Parent Company and its subsidiaries, according to which a consolidated return is submitted for the Group in accordance with the laws and regulations issued by the Zakat, Tax and Customs Authority. The share of zakat payable of each subsidiary is determined on the basis of estimation.

3.12 Zakat and tax...(continued)

Withholding Tax

Group withholds taxes on certain transactions with non-resident parties in the KSA, as required under Saudi Arabian Income Tax Law. Withholding tax on foreign payments is recorded as a short-term liability.

Value Added Tax (VAT)

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

3.13 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If outflows to settle the provisions are no longer probable, reversal of the provision is recorded as income.

3.14 Contingent liabilities and assets

All contingent liabilities arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Group; or all present obligations arising from past events but not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability. A contingent liability will not be recognized, rather, it will be disclosed in the financial statements.

Contingent assets are not recognized in financial statements; however, a contingent asset is disclosed where an inflow of economic benefits is probable.

3.15 Foreign currency translation

Transactions in foreign currencies during the year are translated into Saudi Riyals and recorded at the rates of exchange prevailing at the transaction dates. The balances of assets and liabilities recorded in foreign currencies at the balance sheet date are translated into Saudi Riyals at the exchange rates prevailing at that date. Profits and losses arising from transactions are reported in the statement of profit or loss.

3.16 Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial asset or a financial liability is recognized and measured in accordance with measurement, recognition and disclosure requirements of IFRS 9.

- Relevant detailed accounting policies are as follows:

3.16.1 Financial assets

Initial recognition and measurement

Trade receivables and deposits are recognized on the date they arise while all other financial assets are recognized on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

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

Classification and subsequent measurement

IFRS 9 has three major categories of financial assets as follows: Financial assets measured at amortized cost, assets measured at fair value through other comprehensive income and assets measured at fair value through profit or loss.

Under IFRS 9, financial derivatives embedded in contracts containing the basic instrument are financial assets within the scope of IFRS 9 and are not separated, the entire hybrid financial instrument is assessed for classification.

Subsequent measurement of financial assets depends on their classification as described below:

Financial assets at amortized cost

These assets are measured upon initial recognition at fair value plus transaction costs directly attributable to the acquisition or issue of the financial asset. After the initial recognition, these are measured at depreciated cost using the effective interest method.

Financial assets at fair value through other comprehensive income:

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies.

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

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

3.16.1 Financial assets...(continued)

Financial Assets at fair value through profit or loss:

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

Derecognition of financial assets

A financial asset is primarily derecognized when:

The contractual rights to the cash flows from the financial asset expire;

The Group transfers the rights to receive the contractual cash flows from the asset; Or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either the Company has transferred substantially all the risks and rewards of the asset, or it has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets measured at cost or amortized cost

Under IFRS 9, an impairment review is made at each reporting date for financial assets measured at amortized cost or FVTOCI except investments in equity instruments as well as contract assets as per the expected future credit loss model, which requires a significant estimate of how changes in economic factors affect the expected credit loss models that are determined on a weighted probability basis. Provisions for loss will be measured on one of the following bases:

1. The expected credit loss over 12 months: This expected credit loss arises from default and potential default events within 12 months after the reporting date.
2. The expected credit loss over the life of the financial instrument: It is the expected credit loss that results from all default events over the expected life of the financial instrument. As for the expected credit loss over 12 months, measurement is applied if the credit risks of financial assets have increased substantially at the reporting date since the initial recognition.

The expected credit loss over 12 months measurement is applied if the credit risks have not increased substantially. The entity may determine that the credit risk does not increase substantially in case the instrument is exposed to low credit risks at the reporting date. However, the measurement of expected long-term credit losses is always applied to trade receivables and contract assets without any significant financing components. The entity may choose to apply this policy also to trade receivables and contract assets with significant financing components.

3.16.2 Financial liabilities

Initial measurement

Upon initial measurement except for financial liabilities that are subsequently measured at fair value through profit or loss, the financial liability is measured at the transaction price (including transaction costs), unless the arrangement forms actually financing transaction of the entity (for financial obligation) or a counter party (for financial asset) of the arrangement.

At initial measurement of financial liabilities that are subsequently measured at fair value through profit or loss, transaction costs are recognized in the statement of profit or loss.

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

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

Trade payables that have a significant financing component or have a maturity of less than 12 months are measured at their transaction price (invoice).

Classification and subsequent measurement

The financial obligation is measured at the amortized cost using the effective interest method if the conditions previously explained above are met. These financial liabilities are subsequently measured at the amortized cost using the effective Interest Rate (EIR) method. The amortized cost is calculated by taking into account any discount or premium on acquisition, and fees or costs that are an integral part of the EIR. The effective interest rate is included in the finance income within the statement of profit or loss. IFRS 9 introduces the change in fair value related to changes in the credit risk of liabilities in the other comprehensive income statement while the remaining amount of the change in fair value is presented in the statement of profit or loss.

Debt instruments classified as current liabilities are measured at the undiscounted cash amount or other cash consideration expected to be paid unless the arrangement constitutes, in fact, a financing transaction.

Derecognition of financial liabilities

A financial liability is derecognized when and only when the obligations are discharged, canceled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms or when the terms of an existing obligation are substantially modified, such replacement or modification is treated as a derecognition of the original financial liability, along with recognizing the new obligation. The difference in respective carrying amounts is recognized in the statement of profit or loss.

3.16.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when the Group currently has a legally enforceable right to set off the recognized amounts; and the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Notes to the consolidated financial statements for the year ended December 31, 2021
(All amounts in thousands Saudi Riyals unless otherwise stated)

3.17 Revenue recognition

The Group recognizes revenue from contracts with customers when the performance obligation is satisfied by transferring ownership of the promised goods or services to the customer based on a five-step model:

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

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

Step 3: Determine the transaction price: The transaction price is the amount to which the Group expects to be entitled in exchange for the transfer of goods and services to a customer. Transaction price is measured based on the fair value of the received consideration, after taking into account the agreed payment terms, excluding taxes, fees and amounts collected on behalf of third parties. These are recorded net of trade discounts and volume rebates.

Step 4: Allocate the transaction price to the performance obligations. Where a contract has multiple performance obligations, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognize revenue when (or as) the Group satisfies a performance obligation.

Revenue is measured at the fair value of consideration received or receivable, taking into account trade discounts, prompt settlement discounts and volume rebates allowed by the Group (if any).

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

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

The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

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

<u>The Group's revenue represents the following:</u>

Revenue from sale of goods

The revenue resulting from the sale of goods and the issuance of an invoice is recognized when the significant risks and benefits of ownership of the goods are transferred to the buyer, with the Group not retaining the right of continuous administrative intervention to the degree that is usually associated with ownership nor the right of actual control over the sold goods. The revenue is recognized net of the allowed discount.

Other revenues

Rental income from operating leases is recognized on a straight-line basis over the lease periods. It is included within other income, which is recognized on an accrual basis.

3.18 Cost of revenue

Cost of revenue includes production costs and direct industrial expenses, which comprise the cost of raw materials used in production, direct labor, other capitalized costs and operating expenses associated with production.

3.19 Finance cost

Finance cost comprises interest expense and other costs on borrowings and finance facilities. All finance costs are charged to profits or losses as incurred except finance costs related to owning or establishing an asset that may need some time to be ready for the intended use. It is added to the cost of the asset to be ready for the intended use according to IAS 23 (the Group does not have any such expenses being capitalized for the current year).

3.20 Selling and marketing expenses and general and administrative expenses

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

General and administrative expenses are expenses directly linked with management and are not considered direct costs.

3.21 Board of Directors' remunerations

Total remunerations paid to the Board of Directors represent fees for meeting attendance, bonuses and expenses. They are in line with the Companies Law requirements and the Capital Market Authority guidelines and the Company's Articles of Association.

3.22 Earnings per share

Basic earnings per share and diluted earnings per share (if any) are presented for ordinary shares. Basic earnings per share are calculated by dividing the Group's profit or loss attributable to common shareholders by the weighted average number of common shares outstanding during the year, after being adjusted by the number of ordinary shares repurchased or issued during the year. Diluted earnings per share is calculated by adjusting diluted profit or loss of the Group's ordinary shareholders and the weighted average number of shares outstanding during the year compared to dilutive potential ordinary shares.

3.23 Dividends

Dividends are distributed to the Shareholders when the General Assembly of Shareholders approves the dividends in line with the Saudi Companies Law.

3.24 Operating Sectors

A business segment is a company with assets and operations associated with providing products or services that are subject to different risks and returns than other business segments. The geographical sector includes the provision of products or services within a specific economic environment that is subject to different risks and returns than sectors operating in other economic environments.

(All amounts in thousands Saudi Riyals unless otherwise stated)

4. Changes in significant accounting policies and new standards

4.1 New and revised IFRS Standards that are applicable and have no significant impact on the consolidated financial statements

No new IFRS standards have been applied; however, a number of IFRS amendments are effective as of January 1, 2021 but have no significant impact on the Group's financial statements. The following is a summary of the adjustments applied by the Group:

Standard - Interpretation	Description	Effective date
IFRS 9, IFRS 7, IFRS 4, IFRS 16 and IAS 39	Amendments to Interest Rate Benchmark Reform - Phase 2	01 January 2021
IFRS 16	Amendments to covid-19-related rent concessions beyond 30 June 2021 (Relief is extended for one year ended June 2022)	01 April 2021

4.2 New and revised IFRS not yet effective and not applicable:

The following are standards and interpretations issued and not yet effective and not applicable as of the date of the consolidated financial statements Consolidated:

Standard - Interpretation	Description	Effective date
IAS 16	Amendments relating to property, plant and equipment - proceeds before intended use	01 January 2022
IFRS 3	Amendments relating to reference to the IFRS Conceptual Framework issued in March 2018	01 January 2022
IAS 37	Amendments to "Provisions, Contingent Liabilities and Contingent Assets", specifically related to "Onerous contracts - Cost of Fulfilling a Contract"	01 January 2022
Annual Improvements to IFRS Standards 2018–2020 Cycle	Annual improvements include amendments to three standards as follows: IFRS 1: First time Adoption of International Financial Reporting Standards IFRS 9: Financial Instruments IAS 41: Agriculture	01 January 2022
IAS 1	Amendments to "Presentation of Financial Statements" to clarify classification of liabilities as current or non-current Disclosure initiative: Accounting policies (IFRS Practice Statement 2 "Making Materiality Judgments"	01 January 2023
IAS 8	Amendments to "Accounting Policies" and changes in accounting estimates and errors related to definition of accounting estimates	01 January 2023
IAS 12	Amendments to "Income Taxes" of deferred Tax related to Assets and Liabilities arising from a Single Transaction	01 January 2023
IFRS 17	Amendments to initial application of insurance contracts	01 January 2023
IFRS 10 and IAS 28	Amendments relating to (sale or contribution of assets between an investor and its associate or joint venture)	Application permitted Effective date deferred

AL ABDULATIF INDUSTERIAL INVESTMENT COMPANY

(A SAUDI JOINT STOCK COMPANY)

Notes to the financial statements for the year ended December 31, 2021

(All amounts in thousands Saudi Riyals unless otherwise stated)

5. Property, plant and equipment – net

5.1. For the year ended December 31, 2021

	Lands	Buildings and roads *	Plant, equipment and main spare parts	Vehicles	Furniture, fixture and office equipment	Capital work in progress	Total
Cost:							
Balance at January 01, 2021	47,630	220,187	1,845,780	33,210	109,022	419	2,256,248
Additions during the year	-	-	6,922	821	638	7,218	15,599
Transferred to investment properties (note 6)	(37,005)	-	-	-	-	-	(37,005)
Transfers	-	411	8	-	-	(419)	-
Disposals	-	-	(8,086)	(83)	-	-	(8,169)
Balance at December 31, 2021	**10,625**	**220,598**	**1,844,624**	**33,948**	**109,660**	**7,218**	**2,226,673**
Accumulated depreciation:							
Balance at January 01, 2021	-	196,898	1,621,300	33,038	100,766	-	1,952,002
Depreciation for the year	-	5,341	39,258	360	2,658	-	47,617
Disposals	-	-	(7,047)	(83)	-	-	(7,130)
Balance at December 31, 2021	-	**202,239**	**1,653,511**	**33,315**	**103,424**	-	**1,992,489**
Provision for accumulated impairment:							
Balance at January 01, 2021	-	-	5,600	-	-	-	5,600
Balance at December 31, 2021	-	-	**5,600**	-	-	-	**5,600**
Net book value:							
As of December 31, 2021	**10,625**	**18,359**	**185,513**	**633**	**6,236**	**7,218**	**228,584**

* Some of the above-mentioned buildings are built on land leased from the Saudi Authority for Industrial Cities and Technology Zones (MODON) in the Second Industrial City, Riyadh, under a contract ending on 06/08/1452 H.

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

*** The carrying amount of depreciated assets still in use as of December 31, 2021 amounted to (SR1,144,704) thousand, and as of December 31, 2020 (1,129,255) thousand

Depreciation of property, plant and equipment

	2021	2020
Depreciation charged to cost of revenue (note 23)	47,617	49,560
Depreciation charged to selling and marketing expenses (note 24)	-	6
	47,617	**49,566**

(All amounts in thousands Saudi Riyals unless otherwise stated)

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

5.2. For the year ended December 31, 2020

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

(All amounts in thousands Saudi Riyals unless otherwise stated)

6. Investment properties – at cost

	31/12/2021	31/12/2020
Lands*		
Cost:		
Balance at beginning of year	50,000	50,000
Transferred from property, plant and equipment (note 5.1)	37,005	-
Balance at end of the year	**87,005**	**50,000**
Net carrying amount at end of the year	**87,005**	**50,000**

* Investment properties represent the following:

(a) A real estate contribution to a land in Madinah (for the purpose of generating revenue or capital profit) at a rate of 14.58% land sharing contract between the Company and one of the local investment properties companies under which the title deed was registered. It is also entitled to sell or dispose of the land without consulting the Company. In that case, the sale value and profits are divided according to the participation percentage immediately after the sale.

The Company's share in its fair value as on December 31, 2021 amounted to SR58,030 thousand riyals (2020: SR57,140 thousand) according to the valuation of this land by (The Current Value Real Estate Valuation Company, license No. 1210000606) as an approved valuer as of December 31, 2021 (2020: Adwa Al Arab Company, license No. 1210000846).

(b) A land in Khobar City purchased in 2015 to establish a regional sales center targeting the Eastern Province and the GCC countries. It was included in previous years under property, plant and equipment. During the current period, and due to the economic conditions and the covid-19 impact, the Management put off the establishment of the center and decided to classify the land as investment property, which has been leased out to generate additional income for the Company.

Its fair value as of December 31, 2021, amounted to SR42,249 thousand, as per the valuation made by (Current Value Real Estate Valuation Company, license number: 1210000606) as an accredited valuer.

7. Leases

7.1. Right-of-use assets - net

Right- of- use land

	31/12/2021	31/12/2020
Cost:		
Balance at beginning of the year	20,978	20,978
Additions during the year	947	-
Disposal of contracts	(211)	-
Balance at end of the year	**21,714**	**20,978**
Accumulated depreciation:		
Balance at beginning of year	3,180	1,590
Depreciation for the year (note 23)	1,587	1,590
Disposals	(211)	-
Balance at end of the year	**4,556**	**3,180**
Net carrying amount at end of the year	**17,158**	**17,798**

(All amounts in thousands Saudi Riyals unless otherwise stated)

7. Leases...(continued)

7.2. Lease obligations

	31/12/2021	31/12/2020
Balance at beginning of the year	18,333	19,761
Additions during the year	947	-
Less : Paid during the year	(2,249)	(2,395)
Charged to finance cost (note 27)	923	967
Present value of obligations	**17,954**	**18,333**

Lease obligations are presented in the statement of financial position based on the current portion - within the current liabilities (which represents the payable portion during a year) and the non-current portion - within the non-current liabilities (which represents the outstanding liability net of the current portion) as follows: -

	31/12/2021	31/12/2020
7.2.1. Leases obligations – Current portion	1,315	1,202
7.2.2. Leases obligations – Non-current portion	16,639	17,131
	17,954	18,333

(All amounts in thousands Saudi Riyals unless otherwise stated)

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

Unquoted investments	Legal form	Headquarters	Shareholding Percentage	31/12/2021	31/12/2020
Red Sea Cables Company *	A Saudi Closed Joint Stock Company	Riyadh	27%	57,657	45,650
Al Reef Sugar Refinery Company **	A Saudi Closed Joint Stock Company	Jeddah	15%	37,147	37,125
				94,804	82,775

Movement of changes in fair value was as follows:

	2021	2020
Balance at the beginning of the year	82,775	72,377
Additions during the year	-	1,575
Profits of revaluation of investments at fair value	12,029	8,823
Fair value at end of the year	94,804	82,775

* The cost of investment in the Red Sea Cables Company amounted to SR50 million.
** The cost of the investment in Al-Reef Sugar Refining Company amounted to SR45 million.

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

The fair value mentioned above is valued as of December 31, 2021, 2020 by an accredited valuer (Ahmed Muhammad Abdullah Al-Faraj Office for Valuation of Economic Enterprises - license No. 4112000053). The fair values reserve has been recognized through other comprehensive income.

Note 31 includes information on fair value.

(All amounts in thousands Saudi Riyals unless otherwise stated)

9. Inventory – net

	31/12/2021	31/12/2020
Raw materials	229,798	216,723
Production in progress	25,374	18,390
Finished production	100,582	105,158
	355,754	**340,271**
Less: Provision for impairment of inventory (9.1)	(5,466)	(4,604)
	350,288	**335,667**

9.1. Movement in provision for impairment of inventory

	2021	2020
Balance at beginning of the year	4,604	4,673
Utilized during the year	(79)	-
Provision for no longer required during the year (note 26)	-	(69)
Provided for the year (note 23)	941	-
Balance at end of the year	**5,466**	**4,604**

The provision for impairment of inventory is based on the nature, age and expiry date of inventory as well as the sale expectations which rely on previous trends and other qualitative and technical factors.

10. Trade receivables - net

	31/12/2021	31/12/2020
Trade receivables *	429,599	361,586
Provision for impairment of trade receivables ** (note 10.1)	(19,003)	(15,401)
	410,596	**346,185**

10.1. Movement of provision for impairment of trade receivables

	2021	2020
Balance at beginning of the year	15,401	10,401
Provided during the year (note 25)	3,602	5,000
	19,003	**15,401**

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

	31/12/2021	31/12/2020
Up to 2 months	116,853	101,701
2 – 3 months	45,331	38,140
Over 3 months	267,415	221,745
Balance at end of the year	**429,599**	**361,586**

* The Group does not charge any penalties or interest on late payments from customers.

** The provision for impairment of trade receivables has been calculated based on their age and history.

Notes to the financial statements for the year ended December 31, 2021
(All amounts in thousands Saudi Riyals unless otherwise stated)

11. Transactions with related parties

11.1. Due from a related party

	Nature of Relationship	31/12/2021	31/12/2020
Al Abdullatif Furniture Company *	Related to one of the Board of Directors	41,353	38,798

11.2. Due to a related party

	Nature of Relationship	31/12/2021	31/12/2020
Natural Gas Distribution Company	Related to one of the Board of Directors	147	185

11.3. Significant transactions with related parties

		Type and volume of transactions with related parties		
Related parties 2021	Nature of relationship	Sales and services rendered	Purchases and services received	Payments and repayments
Natural Gas Distribution Company	Related to one of the Board of Directors	-	(1,722)	1,760
Al Abdullatif Furniture Company	Related to one of the Board of Directors	33,913	(365)	(33,202)

		Type and volume of transactions with related parties		
Related parties 2020	Nature of relationship	Sales and services rendered	Purchases and services received	Payments and repayments
Natural Gas Distribution Company	Related to one of the Board of Directors	-	(1,740)	1,555
Al Abdullatif Furniture Company	Related to one of the Board of Directors	33,913	(366)	(33,201)

* The Group performs an assessment of the impairment of receivables due from related parties by examining the financial position of the related parties and the markets in which they operate in each financial period. The Management believes that there are no indications of impairment in the value of the balances due as of December 31, 2021.

11.4. Key management personnel compensation

	2021	2020
Salaries and benefits of executive Board of Directors members	959	896
Board of Directors' remunerations	400	400
Allowance for attendance of Board of Directors' meetings	54	42
	1,413	1,338

The General Assembly resolved in its meeting held on 05/11/1442 H (15/06/2021) to pay a sum of SR100 thousand to four Directors of the Board as a remuneration for the financial year ended 31/12/2020 at a total of SR400 thousand. The remaining three Directors of the Board waived their remuneration as Directors.

(All amounts in thousands Saudi Riyals unless otherwise stated)

12. Prepayments and other debit balances

	31/12/2021	31/12/2020
Advances to the suppliers	17,911	9,477
Prepaid insurance expenses	4,129	5,110
Prepayments	1,664	1,260
Employee imprests and advances	1,409	1,843
Visas, residence permits and work permits	1,224	1,848
Value Added Tax (VAT)	935	-
Others	14,003	7,979
	41,275	**27,517**

13. Investments at fair value through profits or losses

	31/12/2021	31/12/2020
Balance at beginning of the year	8,750	16,258
Profits on re-valuation of investments at fair value	200	309
Disposals through sale	-	(7,817)
Balance at end of the year	**8,950**	**8,750**

* Investments represent shares of a listed company (Saudi Arabian Oil Company – Aramco) with less than 1% of the share capital of the investee. The number of shares of the investee as of December 31, 2021 were 250,000 thousand shares (2020: 461,227 thousand shares). The fair value was measured according to the disclosed share price as at December 31, 2021. Profits or losses of valuation have been recognized through profits or losses.

14. Cash and cash equivalent

	31/12/2021	31/12/2020
Cash on hand	1,622	682
Local banks – current accounts with Saudi Riyal	58,392	57,546
Local banks – current accounts with foreign currencies	12,416	18,423
	72,430	**76,651**

15. Share capital

	31/12/2021	31/12/2020
Balance at end of the year	**812,500**	**812,500**

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

16. Statutory reserve

	31/12/2021	31/12/2020
Balance at end of the year	**241,429**	**241,429**

According to the Company's Articles of Association and the Saudi Companies Law, the Company must set aside 10% of its net income in each year to establish a statutory reserve. Appropriation can cease when the reserve equals 30% of the share capital. This reserve is not available for distribution.

(All amounts in thousands Saudi Riyals unless otherwise stated)

No amount was set aside for the statuary reserve in the presented financial statements due to net loss incurred for the current year.

17. Employees' defined benefit obligations

The Group operates an end-of-service plan for its employees in line with the Labor Law requirements in the Kingdom of Saudi Arabia. The EOS payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment. Employee benefit plans are unfunded plans and the Group meets benefit payment obligations when they fall due.

The movement during the year was as follows:

	2021	2020
Balance at beginning of the year	13,428	11,385
Cost of current service	5,644	4,243
Cost of interest	383	-
Charged to profits and loss (note 23)	6,027	4,243
Paid during the year	(3,696)	(3,313)
Actuarial losses "charged to other comprehensive income"	1,077	1,113
Balance at end of the year	**16,836**	**13,428**

An actuarial valuation was performed using the projected unit credit method to measure the present value of the employee defined benefit obligations on December 31, 2021 in relation to the end-of-service benefits accrued to employees under the Saudi Labor Law. This valuation was based on principal actuarial assumptions that included the following:

Significant actuarial assumptions used	2021	2020
Discount rate	3.10%	1.92%
Annual salary increase rate	1%	1%
Retirement age	60	60

Sensitivity analysis

The sensitivity analysis is based on a method that measures the effect on employee defined benefit obligations when a change occurs in one of the principal actuarial assumptions, while keeping all other assumptions constant. The following the quantitative sensitivity analysis of the assumptions used for measuring employee defined obligations:

	2021	2020
Basis as per actuarial assumptions used:	16,836	13,428
Sensitivity of employees defined benefit obligations to a change in one of the assumption		
Discount rate (increase by 1%)	16,581	13,240
Discount rate (decrease by 1%)	17,141	13,625
Staff turnover rate (increase by1%)	16,918	13,461
Staff turnover rate (decrease by 1%)	16,741	13,390

A sensitivity analysis may not represent the actual change in the defined employee benefit obligations but rather provide an approximate report of the sensitivity of the assumptions. It is unlikely that the assumptions will change independently of each other.

(All amounts in thousands Saudi Riyals unless otherwise stated)

18. Banks - credit facilities

	31/12/2021	31/12/2020
Business facility finance and short-term Murabaha	153,824	66,653
Less : Deferred finance commissions	(873)	(349)
	152,951	**66,304**

- Through facility agreements signed with local banks, the Company received short-term facilities at a credit limit SR 516,8 million for the following purposes:
- Finance to purchase and import raw materials for production
- Finance for the operational cycle of the Company and working capital
- Purchase of materials via the opening account of SABIC Company
- Letters of credit and guarantees
- Murabaha and Tawarruq
- Hedging from foreign currency risks.

The above are under the following guarantees:

- Promissory notes with maximum amount of the facilities. - Agreement to finance Islamic trade.
- Main hedge agreement.

19. Trade payables

	31/12/2021	31/12/2020
Suppliers	**30,631**	**12,879**

20. Accrued expenses and other payables

	31/12/2021	31/12/2020
Due to employees	5,549	5,471
Value Added Tax (VAT)	-	764
Advances from customers	1,834	3,361
Deferred revenue	-	468
Board of Directors remuneration due	400	400
Other accrued expenses	8,987	6,394
	16,770	**16,858**

21. Provision for zakat

21.1. Adjusted net income

	31/12/2021	31/12/2020
Net (loss) for the year	(22,434)	(2,367)
Adjustments to net loss for the year	12,570	9,243
Adjusted net (loss) income	**(9,864)**	**6,876**

(All amounts in thousands Saudi Riyals unless otherwise stated)

21. Provision for zakat...(continued)

21.2. Calculation of zakat

The Group submits a consolidated zakat return for the Group as a whole (the Parent Company and its subsidiaries) in accordance with the consolidated financial statements. The approximate zakat base for the Group as of December 31, 2021 consists of the following items:

	31/12/2021	31/12/2020
Adjusted net (loss) income	(9,864)	6,876
Add: Components subject to zakat	1,191,827	1,200,135
Less: Components not subject to zakat	(427,551)	(449,219)
Total zakat base	**754,412**	**757,792**
Zakat base for the year	**778,161**	**783,247**
Zakat for the year	**19,454**	**19,581**

- Zakat payable is assessed at 2.5% on the higher of the zakat base or the net adjusted income.
- Zakat was computed on the basis of 2.5% of the zakat base.

21.3. Movement in provision for zakat

	2021	2020
Balance at beginning of the year	22,019	18,381
Paid during the year	(25,569)	(18,826)
Zakat for the year	19,454	19,581
Provision for expected zakat claims	5,866	2,883
Provided for the year	25,320	22,464
Balance at the end of the year	**21,770**	**22,019**

21.4. Status of zakat

The Group submitted its consolidated zakat return for the year ended December 31, 2020 and received a zakat certificate valid until April 30, 2022.

Zakat has been calculated for the subsidiaries mentioned in note (1) within the consolidated financial statements of the Group. The Group is committed to accounting for it before the Zakat, Tax and Customs Authority, and each subsidiary is charged with its due Zakat in accordance with the Group's policy of redistributing Zakat among the subsidiaries.

The Company finalized its zakat status with the Zakat, Tax and Customs Authority until 2018. The Authority amended the zakat returns for the years 2015 to 2018. This resulted in zakat differences amounting to SR6,019 thousand riyals, which were fully paid.

The Zakat, Tax and Customs Authority has amended the zakat returns for the years 2019 and 2020, which resulted in zakat differences amounting to SR5,992 thousand for the year 2019 and for the year 2020 the amount of SR3,183 thousand. In the subsequent period, the Company submitted objections to these differences and paid a percentage 25% of the difference amount.

21.5. Value Added Tax

The Group submits consolidated VAT returns every month. It submitted December 2021 return and paid the amount later.

(All amounts in thousands Saudi Riyals unless otherwise stated)

22. Revenue

	2021	2020
Local sales	324,614	248,529
Export sales	316,902	217,565
	641,516	**466,094**

23. Cost of revenue

	2021	2020
Raw materials inventory at beginning of the year	216,723	261,130
Local purchases	271,346	107,426
Import purchases	138,010	93,449
Less: Raw materials inventory at end of the year	(229,798)	(216,723)
Cost of materials used for production	**396,281**	**245,282**
Products under process at beginning of the year	18,390	17,350
Industrial expenses and operation supplies	1,028	913
Salaries, wages, allowances and equivalents	87,695	65,749
GOSI	4,490	3,196
Housing and food	7,846	4,369
Risk insurance	6,584	6,756
Electricity and water	30,993	27,791
Motor vehicles and fuel expenses	4,420	3,640
Visas, residence permits and work permits	5,074	6,993
Maintenance and spare parts cost	18,262	14,795
Medical insurance and treatment	3,846	4,295
Depreciation on right-of-use assets (note 7.1)	1,587	1,590
Depreciation on property and equipment (note 5)	47,617	49,560
Employee defined benefit obligations (note 17)	6,027	4,243
Other direct expenses	2,445	1,688
Less: Products under process at end of the year	(25,374)	(18,390)
Finished goods cost	**617,211**	**439,820**
Finished goods inventory at beginning of the year	105,158	101,134
Less: Finished goods inventory at end of the year	(100,582)	(105,158)
Impairment of inventory (note 9.1)	941	-
	622,728	**435,796**

(All amounts in thousands Saudi Riyals unless otherwise stated)

24. Selling and marketing expenses

	2021	2020
Salaries, wages and benefits	1,149	1,212
Transportation and cargo	18,682	10,220
Sale incentives	1,962	1,461
Samples	418	734
Leases	324	280
Insurance expenses	303	332
Car and fuel expenses	166	186
Medical insurance and treatment	17	15
Depreciation on property and equipment (note 5)	-	6
Advertising and other	1,520	1,162
	24,541	15,608

25. General and administrative expenses

	2021	2020
Salaries, wages and related expenses	9,364	9,132
Impairment of trade receivables (note 10.1)	3,602	5,000
Fees and subscriptions	1,310	1,313
Consulting and professional fees	1,272	1,960
Bank fees	911	499
Stationary and printings	781	525
Post, telephone and Internet	624	644
Board of Directors bonuses and expenses	616	612
Canteen and cleaning	437	388
Maintenance and repair	86	73
Cars expenses	73	77
Miscellaneous	1,313	1,079
	20,389	21,302

26. Other income

	2021	2020
Rent	3,479	5,348
Income from related parties' companies	732	837
Gains on disposal of property and equipment	1,245	153
Provision for impairment of inventory no longer required (note 9.1)	-	69
Miscellaneous income	357	708
	5,813	7,115

27. Net finance cost

	2021	2020
Income from bank deposits	(57)	(104)
Interests on bank facilities	1,700	2,763
Lease interest (note 7.2)	923	967
Finance charges	91	-
	2,657	3,626

Notes to the financial statements for the year ended December 31, 2021
(All amounts in thousands Saudi Riyals unless otherwise stated)

28. (Loss) per share

The basic (loss) per share was calculated by dividing the net (loss) for the year attributable to the Shareholders of the Company by the weighted average number of issued shares. The reduced (loss) per share equaled the (loss) per share as follows:

	2021	2020
Net (loss) for the year attributable to Company's Shareholders	(47,754)	(24,831)
Weighted average number of shares issued "in thousand of shares"	81,250	81,250
Basic and diluted (loss) per share attributable to the Company's Shareholders	**(0.59)**	**(0.31)**

29. Segment information

The Group's operating segments represent two primary sectors (the carpet, rugs and related products sector, and the blankets sector). Below is a summary of some of the financial information for the primary business sectors for the year ended December 31, 2021 (compared to the year ended December 31, 2020).

Description/sector	Carpet, rugs and related products	Blankets	Total
For the year ended December 31, 2021			
Revenue	572,559	68,957	**641,516**
Cost of revenue	(557,932)	(64,796)	**(622,728)**
Gross profit	14,627	4,161	**18,788**
Net (loss) for the year	(46,034)	(1,720)	**(47,754)**
Property, plant and equipment - net	208,100	20,484	**228,584**
Total assets	1,219,846	132,597	**1,352,443**
Total liabilities	250,639	6,901	**257,540**
For the year ended December 31, 2020			
Revenue	403,425	62,669	**466,094**
Cost of revenue	(377,850)	(57,946)	**(435,796)**
Gross profit	25,575	4,723	**30,298**
Net (loss) for the year	(23,071)	(1,760)	**(24,831)**
Property, plant and equipment - net	278,910	19,736	**298,646**
Total assets	1,147,408	135,379	**1,282,787**
Total liabilities	144,769	6,313	**151,082**

(All amounts in thousands Saudi Riyals unless otherwise stated)

29. Segment information...(continued)

Geographical distribution of sales

The Group carries out its operations in the Kingdom of Saudi Arabia, which is the primary domestic market. The Company markets its products to major markets outside the Kingdom, especially in the Gulf Cooperation Council countries, America, Africa, Europe, Australia and others. The following is a summary of the geographical distribution of sales for the year ended December 31, 2021 (compared to the year ended December 31, 2020).

	31/12/2021	31/12/2020
Local sales (inside Kingdom of Saudi Arabia)	324,614	248,529
Sales (outside Kingdom of Saudi Arabia)		
Asia Continent	102,313	68,592
North America	70,932	39,020
African Continent	32,112	28,452
Europe and Australia	111,545	81,501
	316,902	217,565
	641,516	466,094

30. Contingent liabilities and capital commitments

	31/12/2021		31/12/2020	
	Total contingent liability	Paid margin	Total contingent liability	Paid margin
Letter of credits and guarantees	97,972	-	23,555	-

31. Financial instruments and risk management

The Group's activities are exposed to various financial risks including: Liquidity risk, credit risk, and market risk (include currency risk, fair value risk, cash flow of commission rate and price risk). The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Group's financial instruments comprise financial assets (cash and cash equivalents, trade receivables, investments at fair value through profit or loss, and other receivables) and financial liabilities (banks- credit facilities, trade and other payables) and include the following risks:

31.1 Liquidity risks

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

The Group's sales conditions stipulate that payments are to be made in cash upon delivery of the goods or on a credit basis.

All current liabilities are expected to be settled within 12 months as of the date of the financial statements.

(All amounts in thousands Saudi Riyals unless otherwise stated)

31.1 Liquidity risks...(continued)

	December 31, 2021			
	Upon demand or less than one year	1 – 5 years	More than 5 years	Carrying amount
Banks - credit facilities	152,951	-	-	152,951
Trade payables	30,631	-	-	30,631
Due to related parties	147	-	-	147
Other payables	8,987	-	-	8,987
	192,716	-	-	**192,716**

	December 31, 2020			
	Upon demand or less than one year	1 – 5 years	More than 5 years	Carrying amount
Banks- Credit facilities	66,304	-	-	66,304
Trade payables	12,879	-	-	12,879
Due to related parties	185	-	-	185
Other payables	6,394	-	-	6,394
	85,762	-	-	**85,762**

31.2 Credit risks

A credit risk refers to the risk that a customer or a counter party in a financial instrument will default on its contractual obligations resulting in financial loss to the Group and arises principally from the cash at banks and receivables. The Group minimizes credit risks associated with receivables by establishing procedures for credit limits for each customer and monitoring outstanding receivables in line with a set of procedures and policies. Cash is deposited with high credit rated banks.

The following are the carrying amounts of financial assets which represent the maximum of credit risks:

	2021	2020
Cash with banks	70,808	75,969
Trade receivables	410,596	346,185
Other receivables	14,003	7,890
	495,407	**430,044**

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

31.3 Market risk

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

The Group is exposed to the following market risks:

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates affecting foreign currency payments and receipts along with assessment of assets and liabilities in foreign currencies.

The Group is subject to fluctuations in foreign exchange rates in the normal course of its business. The Management regularly monitors changes in foreign exchange rates and manages the impact on the financial statements.

Fair value risk

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction. Since the Group's financial statements are prepared under the historical cost principle, differences may arise between the carrying amount and the fair value estimates. The Group's Management believes that the fair value of the Group's financial assets and liabilities approximates book balances.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

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

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

If multiple inputs used to measure fair value are categorized into different levels of the fair value hierarchy, the Fair Value Measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

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

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

(All amounts in thousands Saudi Riyals unless otherwise stated)

Fair value risk...(continued)

Followings are the financial assets measured at fair value:

Assets	Level 1	Level 2	Level 3	Total
Investments at fair value through other comprehensive income	-	-	94,804	94,804
Investments at fair value through profits or losses	8,950	-	-	8,950
Total assets at fair value	8,950	-	94,804	103,754

Interest rate risk (currencies)

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

Commodity price risk

Commodity price risk is the risk associated with changes to the prices of certain commodities to which the Group is exposed as a result of adverse impact on the Group's costs and cash flows. The commodity price risks arise from the expected purchases of certain commodities made of raw materials used by the Group.

32. Covid-19 updates

The spread of the corona virus (covid-19) pandemic was confirmed at the beginning of 2020, causing disruption to business and economic activities around the world, including the Kingdom of Saudi Arabia, which took precautionary measures to encounter the adverse effects of the pandemic.

As a result of the pandemic, the Group's Management had to reassess the main assumptions, estimates and sources applicable to the Group's consolidated financial statements for the year ended December 31, 2021.

During the period, and in the light of the discovery of vaccines for this pandemic and the reducing impact resulting from that pandemic, the Management assessed all the effects on the Group's operations and activities.

Based on that assessment, no significant changes were required in the consolidated financial statements for the year ended December 31, 2021. The Group continues to closely monitor the covid-19 developments. The Management is not aware of any anticipated factors that might change the impact of the pandemic on the Group's operations.

33. Events subsequent to financial statements date

The Management believes there are no significant events as of the date of the consolidated financial position on December 31, 2021 and until the date of preparing these financial statements that may have a significant impact on the consolidated financial statements.

34. Approval of the financial statements

These consolidated financial statements for the year ended December 31, 2021 were approved by the Group's Board of Directors on March 31, 2022.