SAUDI CERAMIC COMPANY

A SAUDI JOINT STOCK COMPANY

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

SAUDI CERAMIC COMPANY
A Saudi Joint Stock Company

INDEX OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Saudi Ceramic Company
(Saudi Joint Stock Company)
Riyadh-Kingdom of Saudi Arabia

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of Saudi Ceramic Company ("the Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and notes 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 consolidated financial position of the Group as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the current period. 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.

To the Shareholders of Saudi Ceramic Company
(Saudi Joint Stock Company)
Riyadh-Kingdom of Saudi Arabia

Report on the Audit of the Consolidated Financial Statements (Continued)

Key Audit Matters	**How our audit addressed the key audit matter**
Inventory Valuation – Net Realizable Value (NRV) assessment	

The impairment assessment for Inventory is considered as a key audit matter due to the size of the balance (Inventory: SR 731 Million) and the significant judgments made by management in the valuation of inventories. The main assumption relates to the existence of impairment indicators or their absence to validate the provision and / or reversal of provision recorded by the Group against the inventory.
 	
Inventory should be stated at lower of cost or Net Realizable Value ("NRV").
 	
Refer to note 5.8 to the Consolidated Financial Statements for the Inventory Policy for the accounting treatment of inventory and related provision, note 4(c) for the significant estimates and judgments and note 17 for breakup of Inventory and movement in provision for damaged and slow-moving inventory.
	Our audit was focused on NRV of inventory existed at year-end, due to the estimates involved in calculating the NRV and comparing it with provision recorded by management. We have verified the procedures performed by management and performed a critical assessment of the Inventory valuation and NRV review process. Our opinion is based on the following audit procedures:
	
	• We reviewed the estimate of costing method and accounting policy that is used by the Company to value its inventories.
	• We attended the physical inventory count of the company's inventory and analyzed the condition of damaged and slow-moving inventories.
	• We obtained the management policy of recording the inventory provision and ensured that provision is recorded based on it.
	• We inquired management personnel for their rationale of recording inventory provision / reversal and their assessment of inventory valuation.
	• We tested selected samples for NRV from each business unit to ensure that we have covered all operating segments.
	• We compared the NRV with the moving average cost and provision recorded by the management to conclude whether the inventory is recorded at lower of cost or NRV.
	• We obtained the management assessment of inventory at the year-end and ensured that following are appropriately covered in inventory valuation assessment:
	  o Age and condition of the items in stock
	  o Potential for sale of the item
	  o Discounts and other costs necessary to sell the item.

To the Shareholders of Saudi Ceramic Company
(Saudi Joint Stock Company)
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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 2021 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report the fact. We have nothing to report in this regard.

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

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

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

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

To the Shareholders of Saudi Ceramic Company
(Saudi Joint Stock Company)
Riyadh-Kingdom of Saudi Arabia

Report on the Audit of the Consolidated Financial Statements (Continued)

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated 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:

- 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

To the Shareholders of Saudi Ceramic Company
(Saudi Joint Stock Company)
Riyadh-Kingdom of Saudi Arabia

Report on the Audit of the Consolidated Financial Statements (Continued)

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

For Al-Bassam & Co.

Ibrahim A. Al-Bassam

Certified Public Accountant

License No. 337

Riyadh on: 16 Rajab 1443 H

Corresponding to: 17 February 2022

البسام وشركاه
محاسبون قانونيون
رقم الترخيص ٣٢٣/١١/٥٢٠
C.R.1010385804
license 520/11/323
Al-Bassam & Co.
Certified Public Accountants

SAUDI CERAMIC COMPANY
A Saudi Joint Stock Company
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021
(In Saudi Riyals Thousand)

	Note	31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment	11	1,640,698	1,620,607
Right-of-use assets	13	71,567	75,496
Intangible assets	12	-	202
Investments in associate	14	9,011	8,963
Investment carried at FVOCI	16	7,987	7,746
Total non-current assets		1,729,263	1,713,014
Current assets			
Inventories	17	731,481	651,837
Trade and other receivables	18	293,479	325,168
Cash and cash equivalents	19	109,646	68,689
Total current assets		1,134,606	1,045,694
TOTAL ASSETS		2,863,869	2,758,708
EQUITY AND LIABILITIES			
Equity			
Share capital	20	800,000	600,000
Statutory reserve	20	218,336	218,336
Fair value reserve	20	3,762	3,521
Treasury shares	20	(3,870)	(11,008)
Retained earnings		653,491	674,474
Total equity attributable to the shareholders		1,671,719	1,485,323
Non-controlling interest	15	40,383	43,892
Total equity		1,712,102	1,529,215
LIABILITIES			
Non-current liabilities			
Long-term borrowings	21	422,678	463,789
Lease liabilities	13	52,216	57,255
Employee retirement benefits	22	87,859	85,370
Total non-current liabilities		562,753	606,414
Current liabilities			
Short term borrowings	21	-	85,045
Current portion of long-term borrowings	21	234,841	201,171
Current portion of lease liabilities	13	13,902	11,540
Trade and other payables	23	317,675	297,322
Zakat provision	9	22,596	28,001
Total current liabilities		589,014	623,079
Total liabilities		1,151,767	1,229,493
TOTAL EQUITY AND LIABILITIES		2,863,869	2,758,708
Contingencies and commitments	24		

The accompanying notes from1 to 29 are an integral part of these Consolidated Financial Statements.

Abdulaziz Abdulkareem Alkhuraiji	Majid Abdullah Alissa	Waleed Al-Bassam
Member of the Board	Chief Executive Officer	Chief Financial Officer

SAUDI CERAMIC COMPANY
A Saudi Joint Stock Company
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021
(In Saudi Riyals Thousand)

	Note	For the year ended 31 December 2021	2020
Revenue	7	1,534,770	1,516,060
Cost of sales	8.2	(1,006,509)	(1,124,129)
Gross profit		528,261	391,931
Selling and distribution expenses	8.3	(180,153)	(179,793)
General and administration expenses	8.4	(90,949)	(75,153)
Provision for the expected credit loss	26.3	(2,883)	(10,345)
Operating Profit		254,276	126,640
Other income	8.1	27,661	19,528
Finance costs	8.5	(23,818)	(44,713)
Share of net profit of associate	14	444	756
Net profit before zakat		258,563	102,211
Zakat expense	9	(26,784)	(31,723)
Net profit for the year		231,779	70,488
Other Comprehensive Income			
Items that will not be reclassified to profit or loss			
Re-measurement of liability for employee retirement benefits	22	(892)	(2,248)
Equity instrument at FVOCI - net change in fair value	26.2	241	794
Other comprehensive Income/ (loss)		(651)	(1,454)
Total comprehensive income / (loss)		231,128	69,034
Basic and diluted earnings per share (SAR)	10	2.93	0.97
Net profit/ (loss) attributable to:			
Shareholders of the Company		233,792	77,700
Non-controlling interests	15	(2,013)	(7,212)
		231,779	70,488
Total comprehensive income / (loss) attributable to:			
Shareholders of the Company		233,147	76,246
Non-controlling interests	15	(2,019)	(7,212)
		231,128	69,034

The accompanying notes from1 to 29 are an integral part of these Consolidated Financial Statements.

Abdulaziz Abdulkareem Alkhuraiji	Majid Abdullah Alissa	Waleed Al-Bassam
Member of the Board	**Chief Executive Officer**	**Chief Financial Officer**

SAUDI CERAMIC COMPANY
A Saudi Joint Stock Company
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021
(In Saudi Riyals Thousand)

	Share capital	Statutory reserve	Fair value reserve	Treasury shares	Retained earnings	Total Equity before NCI	Non-Controlling Interest	Total Equity
Balance as at 1 January 2020	600,000	218,336	2,727	(11,008)	599,022	1,409,077	37,974	1,447,051
Net profit for the year	-	-	-	-	77,700	77,700	(7,212)	70,488
Other comprehensive income for the year	-	-	794	-	(2,248)	(1,454)	-	(1,454)
Total comprehensive income	-	-	794	-	75,452	76,246	(7,212)	69,034
Additional share capital by NCI in subsidiary (Note 1)	-	-	-	-	-	-	13,130	13,130
Balance as at 31 December 2020	600,000	218,336	3,521	(11,008)	674,474	1,485,323	43,892	1,529,215
Balance as at 1 January 2021	**600,000**	**218,336**	**3,521**	**(11,008)**	**674,474**	**1,485,323**	**43,892**	**1,529,215**
Net profit for the year	-	-	-	-	233,792	233,792	(2,013)	231,779
Other comprehensive income for the year	-	-	241	-	(886)	(645)	(6)	(651)
Total comprehensive income	-	-	241	-	232,906	233,147	(2,019)	231,128
Acquisition of share capital	-	-	-	-	1,951	1,951	(2,951)	(1,000)
Dividends paid	-	-	-	-	(59,971)	(59,971)	-	(59,971)
Adjustment related to subsidiary	-	-	-	-	4,131	4,131	1,461	5,592
Issuance of treasury shares	-	-	-	7,138	-	7,138	-	7,138
Issuance of bonus shares	200,000	-	-	-	(200,000)	-	-	-
Balance as at 31 December 2021	**800,000**	**218,336**	**3,762**	**(3,870)**	**653,491**	**1,671,719**	**40,383**	**1,712,102**

The accompanying notes from1 to 29 are an integral part of these Consolidated Financial Statements.

Abdulaziz Abdulkareem Alkhuraiji	Majid Abdullah Alissa	Waleed Al-Bassam
Member of the Board	**Chief Executive Officer**	**Chief Financial Officer**

SAUDI CERAMIC COMPANY
A Saudi Joint Stock Company
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021
(In Saudi Riyals Thousand)

	Note	For the year ended 31 December 2021	2020
Operating activities			
Net profit / (loss) before zakat		258,563	102,211
Adjustments for non-cash items:			
Depreciation of property, plant and equipment	11	115,797	117,412
Depreciation of Right-of-use assets	13	14,457	14,661
Amortization of Intangible Assets	12	202	308
Provision for the expected credit loss	26.3	2,883	10,345
Provision for obsolete inventories, net	17	9,811	(1,432)
Provision for employee retirement benefits	22	12,368	11,502
Finance costs	8.5	21,019	39,548
Share of profit of associate	14	(444)	(756)
Gain on disposal of property, plant and equipment	8.1	(1,037)	(366)
Changes in:			
Inventories	17	(83,597)	107,239
Trade and other receivables	18	28,748	11,604
Trade and other payables	23	26,878	23,535
		405,648	435,811
Employee retirement benefits paid	22	(10,752)	(7,109)
Zakat paid	9	(32,189)	(21,645)
Net cash generated from operating activities		362,707	407,057
Investing activities			
Additions to property, plant and equipment	11	(135,919)	(37,057)
Proceeds from disposal of property, plant and equipment		1,069	419
Additional investment in subsidiary		(1,000)	-
Dividend received from associates	14	397	794
Net cash used in investing activities		(135,453)	(35,844)
Financing activities			
Net proceeds from / (repayment of) short term borrowings		(85,045)	(136,210)
Net repayment of long-term borrowings	21	(7,511)	(215,986)
Finance costs paid		(24,664)	(35,502)
Disposal of treasury shares	20	7,138	-
Dividen paid		(59,971)	-
Lease liabilities paid	13	(16,244)	(15,057)
Net cash used in financing activities		(186,297)	(402,755)
Net (decrease) / increase in cash and cash equivalents		40,957	(31,542)
Cash and cash equivalents at the beginning of the year		68,689	100,231
Cash and cash equivalents at the end of the year	19	109,646	68,689
Supplemental non-cash transaction			
Additional share capital by NCI in subsidiary	1	-	13,130

The accompanying notes from1 to 29 are an integral part of these Consolidated Financial Statements.

Abdulaziz Abdulkareem Alkhuraiji	Majid Abdullah Alissa	Waleed Al-Bassam
Member of the Board	Chief Executive Officer	Chief Financial Officer

1. ORGANIZATION AND ITS ACTIVITIES

Saudi Ceramic Company, ("the Company") is a Saudi Joint Stock Company established under Royal Decree No. (M/16) on Rabi Thani 25, 1397H (corresponding to April 14, 1977G), registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010014590 issued in Riyadh on Safar 15, 1398H (corresponding to January 24, 1978G).

The Company is engaged in the production and sale of ceramic products, water heaters and related components. The Company is also involved in the import of related machinery, equipment and other accessories.

These Financial Statements include the assets, liabilities, and results of the operations of the Company and its branches including its subsidiaries (collectively referred to as the "Group").

The Company's head office is located in Riyadh, King Fahad Road, Al-Olayya District, PO Box 3893, Riyadh 11481, Kingdom of Saudi Arabia.

The financial year of the Company commences on January 1 and ends on December 31 of each calendar year.

The following are the details of the subsidiaries:

			Ownership %	
Name of Subsidiary	**Country of incorporation**	**Main Activity**	**31 December 2021**	**31 December 2020**
Ceramic Pipes Company (CPC)	Kingdom of Saudi Arabia	Import and export, wholesale and retail trading of clay pipes	**73.89%**	66.09%
Ceramic Investment Company *	Kingdom of Saudi Arabia	Import and export, marketing services, wholesale and retail	**95%**	95%
Arzan Company Operation and Maintenance *	Kingdom of Saudi Arabia	Operation and maintenance	**100%**	100%

***** These companies have not commenced commercial operations as at 31 December 2021.

Change in Shareholding of CPC

With effect from I January 2021, the shareholding of the Group in CPC has increased by 2.28% to 68.37%. The Group has purchased the interest of other shareholder of CPC against cash consideration of SAR 1 million which is referred to as "Acquisition of Share Capital"in these consolidated financial statements.

With effect from 1 April 2021, the shareholders of CPC have increased their share capital by a net amount of SAR 5.8 million of which SAR 25.9 million is due to conversion of current account balance of the parent and SAR 20.1 million decrease is due to the absorption of losses into share capital. The losses of CPC's shareholders are absorbed in proportion to their holding percentage. The conversion has occurred by way of conversion of current account payable balance of the Company in to share capital of CPC. As a result, the shareholding of the Company in CPC has increased from 68.37% to 73.89%.

1. ORGANIZATION AND ITS ACTIVITIES (Continued)

The Company operates through its offices and showrooms under the following Commercial registration (CR) certificates:

CR number of branch	Date of registration in Hijri (H)	Location	CR number of branch	Date of registration in Hijri (H)	Location
4032050268	11/07/1437	Taif	5906332463	20/05/1441	Sabya
4032050268	11/07/1437	Taif	5860614456	02/05/1442	Mahail Asir
4032050268	11/07/1437	Taif	3350018888	24/01/1428	Hail
4030375051	26/05/1441	Jeddah discount	1128007072	19/03/1428	Unaizah
4030375051	26/05/1441	Jeddah	1131007399	16/11/1408	Buraidahdiscount
4030375051	26/05/1441	Jeddah	1131007399	16/11/1408	Buraidah
4030375051	26/05/1441	Jeddah	1132010819	16/06/1437	Ar Rass
4030375051	26/05/1441	Jeddah	3550007463	17/08/1408	Tabuk
4031101336	29/01/1439	Mecca	1010216239	16/01/1427	Yasmin
4650026206	23/08/1418	Medina	1010217307	20/02/1427	Al Remal
4650026206	23/08/1418	Medina	1010216239	16/01/1427	Takasusi
2252023606	19/09/1415	Hafouf	1010623110	20/05/1441	Kharaj road
2050017836	16/08/1408	Dammam	1010216239	16/01/1427	Narjis
2050132490	26/05/1441	Dammam	1010217307	20/02/1427	olya
2050017836	16/08/1408	Dammam	1113101345	23/07/1423	Shaqrah
2051032588	17/04/1427	Alkhobar	1111101021	03/02/1441	Mazahmia
2055007583	09/05/1427	Jubail	1010217307	20/02/1427	Laban
2511116088	02/05/1441	Hafer Batin	1122102594	20/05/1441	Majmah
2057473580	01/04/1441	Khafji	1010623110	20/05/1441	discount
2252023606	19/09/1415	Hafouf	1011143932	12/02/1442	Kharaj
2252023606	19/09/1415	Hafouf	1116624418	12/02/1442	Riyadh
5950021703	26/04/1433	Najran	3350018888	24/01/1428	Hail
5900010926	21/06/1427	Jizan	1128007072	19/03/1428	Unaizah
5855018515	15/01/1425	Khamis mushait	1131007399	16/11/1408	Buraidahdiscount
4603152042	11/03/1442	AlQanfadah	1010632532	17/07/1441	Mahdiya
5851876005	11/03/1442	Bisha	1010216239	16/01/1427	Rawdah
1010217307	20/02/1427	Shifa			

Referring to the events related to the spread of the Corona Virus (COVID-19) and its repercussions on the business sectors locally and internationally, the Group has taken necessary measures to ensure the health and safety of its employees and to continue its operations with a growth driven perspective.

Despite the general challenges faced by the corporate sector, the Groups' operations remained largely unaffected. This was primarily because of the Group's effective crisis management policies as well as its efforts to take full advantage of the initiatives and incentives provided by the Government. The Group will monitor the situation as it develops and provide disclosure of material changes in the future if they occur however, currently the Group management is not aware of any factor that may warrant additional disclosure with reference to the impact on the operations of the Group in 2022.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncement issued by Saudi Organization for Certified Public Accountants ("SOCPA") (the "IFRS").

2.2 Preparation of the consolidated Financial Statements

These consolidated Financial Statements have been prepared on the historical cost basis, except for employee retirement benefits which is recognised at the present value of future obligations using the Projected Unit Credit Method and financial assets carried at fair value through other comprehensive income (FVOCI).

The preparation of Consolidated Financial Statements in conformity with IFRS required management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts in the Consolidated Financial Statements. The areas that are significant to the Consolidated Financial Statements are disclosed in Note 4.

2.3 Functional and presentation currency

These Consolidated Financial Statements are presented in Saudi Riyal ("SAR"), which is the Group's functional and presentation currency. All amounts have been rounded to the nearest thousand, unless otherwise stated.

3. NEW STANDARDS, THEIR INTERPRETATIONS AND AMENDMENTS

3.1. New standards, amendments to standards and interpretations applied by the Group

There are no new standards issued, however, there are number of amendments to standards which are effective from 1 January 2021 as follows:

- Amendments to IFRS 9, IAS 39, IFRS 7, and IFRS 16 – Interest Rate Benchmark Reform
- Amendment to IFRS 16 - COVID-19-Related Rent Concessions
  This amendment extend the exemption from assessing whether a COVID-19-related rent concession is a lease modification for payments originally due on or before June 30, 2022 (rather than payment due on or before June 30, 2021).These amendments had no impact on the Group's Consolidated Financial Statements for the year ended 31 December 2021 except for amendment to IFRS 16 - COVID-19-Related Rent Concessions as disclosed in Note 5.22.

3.2. Standards issued but not yet effective

There are few new standards which are effective for annual periods beginning on or after 1 January 2022 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated Financial Statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated Financial Statements.

- Amendments to IAS 1, 'Presentation of Financial Statements' on classification of liabilities

  The amendment has clarified what is meant by a right to defer settlement, that a right to defer must exist at the end of the reporting period, that classification is unaffected by the likelihood that an entity will exercise its deferral right and that only if an embedded derivative in a convertible liability is itself an equity instrument the terms of a liability would not impact its classification.

3. NEW STANDARDS, THEIR INTERPRETATIONS AND AMENDMENTS (Continued)

- Amendments to IFRS 3, IAS 8, IFRS 10 and IAS 28
    - IFRS 3, 'Business combinations'- The amendment as a whole updated IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework.
    - IAS 8, 'Amendment to definition of accounting estimate' This amendments regarding the definition of accounting estimates to help entities to distinguish between accounting policies and accounting estimates.
    - IFRS 10 & IAS 28, 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture' The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary.

4. SIGNIFICANT ESTIMATES AND JUDGEMENTS

The preparation of these consolidated Financial Statements in accordance with applicable accounting standards and policies requires the use of judgments, estimates and assumptions that affect the values of income, expenses, assets, liabilities and notes attached herewith including contingent liabilities. Uncertainties about these assumptions and estimates may result in a material adjustment to the carrying amounts of the assets and liabilities affected in future periods.

The principal assumptions and estimates affecting the future and other key sources of uncertainty at the consolidated statement of financial position date, which pose high risks, may result in material adjustments to the carrying amounts of assets and liabilities during the current and next financial years. The Group's assumptions and estimates are based on available information when preparing consolidated Financial Statements. These assumptions and estimates of future developments may change as a result of market changes and circumstances beyond the control of the Group. Such changes to assumptions are accounted for when incurred.

a. Going concern

The Group management believes that there is no material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern, therefore, these consolidated Financial Statements have been prepared on a going concern basis.

b. Estimated useful life of property, plant and equipment

The cost of property, plant and equipment is depreciated over the estimated useful life of the asset. Factors influencing the useful life estimation include the asset maintenance schedule, technical obsolescence, and residual value. Management of the Group has not calculated the residual value of its assets considering it is insignificant.

c. Provision for obsolete inventories

Inventories are stated at the lower of cost and net realizable value. Adjustments are made to reduce the cost of inventory to net realizable value, if necessary. Factors influencing these adjustments include changes in demand for inventories, technological changes and deterioration of quality. Accordingly, the Group considers these factors and takes them into consideration in order to calculate a provision for obsolete inventories. Any adjustments that may result from the difference in these factors are periodically reviewed.
When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances, the provision is reversed, limited to the amount of original provision recognized. Provision for obsolete inventories is assessed periodically by management for each operating segment as part of its financial reporting process.

4. SIGNIFICANT ESTIMATES AND JUDGEMENTS (Continued)

d. Revenue from contracts with customers

Goods are sold with a right of return and volume discount, in certain cases, that give rise to variable consideration. In estimating the variable consideration, the Company is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Company determined that the expected value method is the appropriate method to use in estimating the variable consideration for the sale of ceramic products with rights of return, given the large number of customer contracts that have similar characteristics.

Before including any amount of variable consideration in the transaction price, the company considers whether the amount of variable consideration is constrained. The company determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions.

e. Impairment loss on trade receivables

The Group uses a provision matrix to calculate Expected Credit Losses (ECLs) for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e. by geography, by customer type).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. 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. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

f. Actuarial valuation for employees' post-employment benefit obligation

The cost of employee retirement benefits is determined under the defined unfunded employee benefit program that is measured using actuarial valuation. The actuarial valuation includes many assumptions that may differ from actual developments in the future. These assumptions include determining the discount rate, future salary increases and employees' turnover. Given the complexity of the evaluation and its long-term nature, the unfunded employee retirement benefits is highly sensitive to changes in these assumptions. All assumptions are reviewed once or more per year when necessary.

4. SIGNIFICANT ESTIMATES AND JUDGEMENTS (Continued)

g. Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under prevailing market conditions regardless of whether it is directly observable or estimated using another valuation method. The fair value measurement is based on the assumption that the sale of assets or liabilities will be either:

- through the principal market for the assets or liabilities; or
- through the most advantageous market for these assets or liabilities in the absence of principal market

The principal or most advantageous market must be accessible by the Group at the measurement date.

The fair value is measured using the assumptions used by market participants when pricing the assets or liabilities on the assumption that market participants are working to the best of their economic interests.

The measurement of fair value of non-financial assets take into account the ability of market participants to generate economic benefits by using the assets in the best interest of them or by selling them to another market participant for use in the best interest of the market. The Group uses the valuation techniques that are appropriate to prevailing market conditions and for which it has sufficient data to measure fair value, maximizing the use of relevant observable inputs, and minimizing the use of unobservable inputs.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in 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 asset or liability that are not based on observable market data (unobservable inputs).

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 Basis of consolidation

These consolidated Financial Statements are comprised of the Financial Statements of the Company and its subsidiaries. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investees and has the ability to affect those returns through its power over the investees. Specifically, the Company controls an investee, if and only if, the Company has all of the following:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee.
- Exposure or rights to variable returns from its involvement with the investee, and
- The ability to exercise its power over the investee to influence its returns.

Generally, there is an assumption that the majority of voting rights result in control. In support of this assumption, when the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee.
- Rights arising from other contractual arrangements which grant the parent company the ability to direct the relevant activities.
- The Company's voting rights and any potential voting rights.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.1 Basis of consolidation (continued)

The Company re-assesses whether it has control over an investee, if the facts and circumstances indicate any changes in one or more of the three control elements. The consolidation of the subsidiary begins from the date when the Company obtains control over the subsidiary and ceases when the Company loses its control over the subsidiary.

The assets, liabilities, revenues and expenses of a subsidiary acquired during the year are recognized in the consolidated Financial Statements from the date the Company obtains control until such control ceases to exist.

Gains or losses and each of the other comprehensive income items are attributed to the shareholders of the parent company and the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the Financial Statements of the subsidiaries to make their accounting policies consistent with the Company's accounting policies. All assets, liabilities equity, revenues, expenses and cash flows related to intra-company transactions are entirely eliminated upon consolidation of the Financial Statements.

Changes in Company's ownership interests in any subsidiary that do not result in loss of control are treated as equity transactions.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

5.2 Investment in associates

Associates are those entities in which the Group has significant influence. The significant influence is the Group's ability to participate in the financial and operating policies of the investee; however, this influence does not amount to control or joint control over these policies. The Group's investment in associates is accounted for using the "equity method" as from the date on which the investee becomes an associate until the Group's influence on the associate ceases. Upon acquisition of an investment in an associate, any increase in the cost of the investment is recognized in the net fair value of the identifiable assets and liabilities of the investee and included in the carrying amount of the investment. Any increase in the Group's share of the net fair value of the identifiable assets and liabilities of the associate is recognized immediately after the revaluation of the associate in the consolidated statement of profit or loss and other comprehensive income in the period in which the investment is acquired.

When a Group entity transacts with an associate of the Group, profits or losses resulting from the transactions with the associate are recognised in the Group's Consolidated Financial Statements only to the extent of interests in the associate that are not related to the Group.

5.3 Classification of assets and liabilities into current / non-current

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

An asset is current when it is:

- Held primarily for the operational purpose.
- Expected to be realized within twelve months after the reporting period.
- Expected to be realized or intended to be sold or consumed in the normal operating cycle.
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.3 Classification of assets and liabilities into current / non-current (continued)

A liability is current when it is:

- Held primarily for the operational purpose
- Expected to be settled in the normal operating cycle.
- To be settled within twelve months after the reporting period.
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

5.4 Intangible assets

5.4.1 Recognition and measurement

Intangible assets acquired by the Group have a finite useful life and are measured at historical cost less accumulated amortization and accumulated impairment losses, if any.

5.4.2 Subsequent expenditure

Subsequent expenditure (if any) is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised as incurred in the statement of profit or loss and other comprehensive income.

5.4.3 Amortisation

Amortisation is calculated using the straight-line method over their estimated useful lives. The amortization expense is recognized in the statement of profit or loss and other comprehensive income.

The estimated useful life of intangible assets are as follows:

Computer software	5 years

Amortisation methods, useful life and residual values are reviewed at each reporting date and adjusted if appropriate.

5.5 Property, plant and equipment

5.5.1 Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. 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, and borrowing costs on qualifying assets.
Major spare parts including stand-by equipments qualify as property, plant and equipment when the Group expects to use them during more than one period. This also includes any servicing equipment solely for use in relation with specific machinery and equipment.

Purchased software that is integral to the functionality of the related equipment is also capitalized as part of that equipment. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in the statement of profit or loss and other comprehensive income.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.5 Property, plant and equipment (continued)

5.5.2 Subsequent expenditure

The cost of replacing a part of an item of property, plant and equipment and any other subsequent expenditure is recognised in the carrying amount of the item if:

- it is probable that the future economic benefits embodied within the part or expenditure will flow to the Group; and
- its cost can be measured reliably.

The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in statement of profit or loss and other comprehensive income as incurred.

5.5.3 Depreciation

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

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

	No of Years
Buildings	10 – 33.33
Machinery and equipment	20
Motor vehicles	4 – 6.66
Furniture and fixtures	6.66 – 10
Leasehold improvements	Lower of 4 years or remaining lease term
Spare parts	5 – 10

Residual values, remaining useful lives and depreciation methods are reviewed at each reporting date and adjusted if appropriate.

5.6 Impairment of non-financial assets

The Group assesses annually whether there is any indication that any of its assets, other than inventories, have been impaired. If such indication exists, the asset's recoverable amount is estimated and compared to its carrying value. Where it is impossible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest cash-generating unit, to which the asset is allocated, that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, an impairment loss is recognised immediately in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.7 Financial instruments

5.7.1 Initial measurement of financial instruments

All financial instruments are initially measured at fair value plus transaction costs, except for the financial asset or financial liability carried at fair value through profit or loss.

5.7.2 Classification

The classification of a financial asset is made at the time it is initially recognized, namely when the Group becomes a party to the contractual provisions of the instrument. If certain conditions are met, the classification of an asset may subsequently need to be reclassified.

All financial assets are classified into two categories, namely, those measured at amortized cost and those measured at fair value.

5.7.3 Subsequent measurement of financial assets

Financial assets are classified based on:

1- The business model adopted by the Group to manage a group of financial assets.

2. Examine the contractual cash flow characteristics of the financial asset.

Financial assets, other than investments in equity instruments, are measured at amortized cost when (a) these assets are held in a business model whose objective is to maintain a group of financial assets for the purpose of collecting contractual cash flows; (b) Including but not limited to payments consisting of the original amount and the return on the principal outstanding.

The effective rate of return method is used to calculate the amortized cost of the financial asset.

Investments in equity instruments are measured at fair value and are reflected in the consolidated statement of financial position. The change in value is recognized in the statement of profit or loss and other comprehensive income, except for the equity instruments acquired and designated by the Group as a fair value through other comprehensive income.

5.7.4 Subsequent measurement of financial liabilities

Financial liabilities held for trading are measured at FVTPL and all other financial liabilities are measured at amortized cost.

5.7.5 De-recognition of financial assets

Once the asset under consideration for de-recognition has been determined, an assessment is made as to whether the asset has been transferred, and if so, whether the transfer of that asset is subsequently eligible for de-recognition.

An asset is transferred if either the Group has transferred the contractual rights to receive the cash flows, or the Group has retained the contractual rights to receive the cash flows from the asset, but has assumed a contractual obligation to transfer these cash flows to a third-party.

Once the Group has determined that the asset has been transferred, then determines whether or not substantially all of the risks and rewards of ownership of the asset has been transferred. If substantially all the risks and rewards have been transferred, the asset is de-recognised. If substantially all the risks and rewards have been retained, de-recognition of the asset is precluded.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.7 Financial instruments (continued)

5.7.5 De-recognition of financial assets (continued)

If the Group has neither retained nor transferred substantially all of the risks and rewards of the asset, then the Group assesses whether it has relinquished control of the asset or not. If the Group does not control the asset then it is de-recognized; however, if the Group has retained control of the asset, then the asset continues to be recognized to the extent to which the Group has a continuing involvement in the asset.

On derecognition of a financial asset, either in entirety or in part, the difference between (a) the carrying amount (measured at the date of derecognition) and (b) the consideration received (including any new asset obtained less any new liability assumed) is recognised in statement of profit or loss and other comprehensive income.

5.7.6 De-recognition of financial liabilities

A financial liability is removed from the statement of financial position when, and only when, it is extinguished, that is, when the obligation specified in the contract is either discharged or cancelled or expired.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the statement of profit or loss and other comprehensive income.

5.7.7 Reclassification

For financial assets, reclassification if any is done between FVTPL, FVTOCI and amortised cost; if and only if the Group's business model objective for its financial assets changes so its previous model assessment would no longer apply.

If reclassification, if any, is considered appropriate, it is done prospectively from the reclassification date which is defined as the first day of the first reporting period following the change in business model. The Group does not restate any previously recognized gains, losses, or interest.

5.7.8 Impairment

The impairment model applied by the Group is based on “expected loss” model as specified in IFRS-9 “Financial Instruments”.

Expected credit losses are measured through a loss allowance at an amount equal to:

- the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or
- full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).

A loss allowance for full lifetime expected credit losses is assessed for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition, as well as to contract assets or trade receivables that do not contain a significant financing component.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.7 Financial instruments (continued)

5.7.8 Impairment (continued)

For all other financial instruments, expected credit losses are measured at an amount equal to the 12-month expected credit losses.

The Group uses practical expedients when estimating full lifetime expected credit losses. As a result, full lifetime expected credit losses on trade receivables are calculated using a recoverability assessment of each specific customer on a gross carrying amount.

5.7.9 Off-setting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the recognised amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

5.8 Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories sold during the year is recognised as an expense and included in cost of sales.The cost of inventories is based on the weighted average cost principle, and includes expenditure incurred in purchasing the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

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

A write-off of inventory occurs when the inventory can no longer provide any economic benefit to the Company. This may be because it has been damaged, lost, stolen, or for some other reason no longer has any economic value. The carrying amount of this inventory is charged to cost of sales.

Spares are valued at lower of cost or net realizable value. Cost is determined on the weighted average cost basis. An assessment for any impairment in the carrying amount is made at each reporting date.

5.9 Employee retirement benefits

5.9.1 Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.9 Employee retirement benefits (continued)

5.9.2 Defined benefit plans

The Group's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefits that employees have earned in the current and prior periods as per Actuarial valuation.

The calculation of defined benefit obligations is performed annually by a qualified independent actuary using the projected unit credit method.

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

5.10 Zakat

Zakat is accrued for and payable in accordance with the regulations of the General Authority of Zakat and Tax in the Kingdom of Saudi Arabia. Adjustments arising from final zakat assessments, if any, are recorded in the year in which such assessments are made.

5.11 Revenue recognition

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services net of returns, trade discounts and volume rebates.

Goods are sold to customer with a right to return the goods within a specified period. The company uses the expected value method to estimate the goods that will not be returned. For goods that are expected to be returned, instead of revenue, the Company recognises a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

The Company provides volume discount to certain customers once the quantity of products purchased during the agreed period exceeds a threshold specified in the contract. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the expected value of discounts and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognised for expected volume discounts payable to customers in relation to sales made during the year.

No significant element of financing is deemed present as the sales are made either on cash or with a credit term of upto 120 days.

5.12 Cash and cash equivalents

Cash and cash equivalents includes bank balances, cheques in hand and running deposits under profit accounts. It also includes bank overdrafts as per Group’s cash management strategy and they are likely to fluctuate from overdrawn to positive balances.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.13 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

5.14 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

5.15 Foreign currency transactions and balances

Transactions in foreign currencies are translated into the Saudi Arabian Riyals, which is also the functional currency of the Group, at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transactions. Foreign currency differences are generally recognized in profit or loss.

5.16 Expenses

Sales and marketing expenses represent salaries and wages of the sales and distribution employees, marketing campaigns, sales costs and similar expenses. All other expenses not related to production or sales are classified as general and administration expenses. Shared expenses are allocated between selling and general expenses using a consistent basis.

5.17 Statutory reserve

In accordance with the Regulations for Companies and the Company's Articles of Association, the Group has established a statutory reserve by the appropriation of 10% of annual net income. This reserve is not available for dividend distribution.

5.18 Earnings per share

The Group presents basic earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

5.19 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.19 Fair value measurement (continued)

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received.

If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in statement of profit or loss and other comprehensive income on an appropriate basis over the life of the instrument.

5.20 Treasury Shares

Own equity instruments that are reacquired (treasury shares), for discharging obligations under the Employee Share Programme, are recognised at cost and presented as a deduction from equity and are adjusted for any transaction costs, dividends and gains or losses on sale of such shares. No gain or loss is recognised in the Consolidated statement of profit or loss and other comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in retained earnings.

5.21 Segmental Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's relevant Business Heads' which in the Group's case is to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. Segment results that are reported to the Group's relevant Business Heads' include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

5.22 Right-of-Use Assets and Lease Liabilities

The Group has recognised new assets and liabilities for its leases of various types of contracts including land and buildings for showroom spaces and warehouses. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Consolidated Statement of Profit or Loss and Other Comprehensive Income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the lower of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis.

i. Right-of-use assets are measured at cost comprising the following:
   - the amount of the initial measurement of lease liability;
   - any initial direct costs and;
   - restoration costs.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.22 Right-of-Use Assets and Lease Liabilities (continued)

Right-of-use assets are subsequently measured at cost less accumulated depreciation

ii. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

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.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items relating to spares, equipments and vehicles.

Rent Concessions under IFRS-16

During 2021, the Group has applied the amendment to IFRS 16 (as issued by the IASB in May 2020) for Impact on accounting for changes in lease payments. The Group has applied the practical expedient to all rent concessions that meet the conditions in *IFRS 16, Para 46B* and has not restated any prior period figures.

The period for which the concession is received is less than 12 months. The waiver of lease payments of SAR 1.3 million (2020: SAR 905,000) has been accounted for under "other income" in statement of profit or loss and other comprehsive income. The Group has not derecognised any part of its lease liability during the year as the concessions were not the lease modification.

6. OPERATING SEGMENTS

The Group is engaged in the manufacturing and trading of different types of ceramic and porcelain products and water heaters. The Group has the following three strategic divisions which are its reportable segments. The Group's Chief Executive Officer reviews the internal management reports of each segment on monthly basis.

The following summary describes the operations of each reportable segment

Reportable segment	Operations
Ceramic tiles and sanitary ware	Manufacturing and distribution of ceramic and porcelain tiles and sanitary ware items
Water heaters	Manufacturing and distribution of electric water heaters
Ceramic pipes	Manufacturing and distribution of clay pipes for sanitary ware and sewage networks

Other operations include the red bricks manufacturing and distribution, plastic, packaging, head office and desert mines (branch). None of these segments meets any of the quantitative thresholds for determining reportable segments in 2021 and 2020.

6. OPERATING SEGMENTS (Continued)

6.1. Information about reportable segments

Information related to each reportable segment is set out below. Segment profit / (loss) before zakat is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

	31 December 2021			
	Ceramic tiles and sanitary ware	**Water heaters**	**Ceramic Pipes Company**	**Total**
Total revenue from external customers	**1,144,750**	**360,907**	**29,113**	**1,534,770**
Inter-segment revenue	**29,513**	**-**	**-**	**29,513**
Segment revenue	**1,174,263**	**360,907**	**29,113**	**1,564,283**
Segment profit/ (loss) before zakat	**211,364**	**53,779**	**(6,580)**	**258,563**
Depreciation and amortisation	**101,696**	**15,790**	**12,970**	**130,456**
Segment assets	**2,340,062**	**276,367**	**247,440**	**2,863,869**
Segment liabilities	**856,136**	**195,231**	**100,400**	**1,151,767**

	31 December 2020			
	Ceramic tiles and sanitary ware	**Water heaters**	**Ceramic Pipes Company**	**Total**
Total revenue from external customers	1,122,861	364,263	28,936	1,516,060
Inter-segment revenue	19,739	-	-	19,739
Segment revenue	1,142,600	364,263	28,936	1,535,799
Segment profit/ (loss) before zakat	89,825	30,663	(18,277)	102,211
Depreciation and amortisation	102,695	16,737	12,949	132,381
Segment assets	2,225,483	282,357	250,868	2,758,708
Segment liabilities	990,476	143,663	95,354	1,229,493

The geographic information analyses the Group's revenue and non-current assets by the Company's country of incorporation and other countries. In presenting the geographic information, segment revenue has been based on the geographic location of customers and segment assets were based on the geographic location of the assets. The five largest customers account approximately for 43% of the revenue at 31 December 2021 (31 December 2020: 51%).

6.2 Geographical Revenue

	For the year ended 31 December	
	2021	2020
Saudi Arabia	**1,418,684**	1,414,612
Other GCC countries	**73,113**	59,904
Other countries	**42,973**	41,544
Total	**1,534,770**	1,516,060

6. OPERATING SEGMENTS (Continued)

6.3 Property, plant and equipment

	As at 31 December	
	2021	2020
Saudi Arabia	**1,631,619**	1,611,241
Other GCC countries	**9,079**	9,366
Total	**1,640,698**	1,620,607

7. REVENUE

7.1. Disaggregation of revenue

The group derives revenue from the transfer of goods at a point in time in the following major product lines and geographical regions:

	For the year ended 31 December 2021			
	Ceramic tiles and sanitary ware	**Water heaters**	**Ceramic Pipes**	**Total**
Segment revenue	**1,174,263**	**360,907**	**29,113**	**1,564,283**
Inter segment revenue	**(29,513)**	**-**	**-**	**(29,513)**
Revenue from external customers	**1,144,750**	**360,907**	**29,113**	**1,534,770**
Primary geographical markets				
- Local	**1,114,349**	**275,222**	**29,113**	**1,418,684**
- Foreign	**30,401**	**85,685**		**116,086**
	1,144,750	**360,907**	**29,113**	**1,534,770**
Timing of revenue recognition				
- At point in time	**1,144,750**	**360,907**	**29,113**	**1,534,770**

	For the year ended 31 December 2020			
	Ceramic tiles and sanitary ware	**Water heaters**	**Ceramic Pipes**	**Total**
Segment revenue	1,142,600	364,263	28,936	1,535,799
Inter segment revenue	(19,739)	-	-	(19,739)
Revenue from external customers	1,122,861	364,263	28,936	1,516,060
Primary geographical markets				
- Local	1,106,832	278,844	28,936	1,414,612
- Foreign	16,029	85,419	-	101,448
	1,122,861	364,263	28,936	1,516,060
Timing of revenue recognition				
- At point in time	1,122,861	364,263	28,936	1,516,060

7. REVENUE (Continued)

7.2. Contract balances

The following table provides information about contract assets and contract liabilities from contracts with customers including provision for customers' incentive against volume rebates:

	As at 31 December	
	2021	2020
Receivables, which are included in trade and other receivables	**258,636**	288,978
Contract liabilities which are included in trade and other payables		
- advances from customers	**1,408**	22,433
- refund liabilities	**69,027**	52,309
Total contract liabilities	**70,435**	74,742

8. EXPENSES AND OTHER INCOME

8.1. Other income

	For the year ended 31 December	
	2021	**2020**
Scrap sales	**12,525**	8,201
Transportation income	**4,794**	5,450
Rental income (Note 8.1.1)	**2,639**	2,431
Training support program	**2,117**	1,090
Gain on sale of property, plant and equipment	**1,037**	366
Reversal of provisions	**1,901**	-
Rent concession under IFRS-16 (Note 5.22)	**1,319**	905
Others	**1,329**	1,085
	27,661	19,528

8.1.1. Rental income relates to a portion of building and a warehouse rented on temporary basis.

8.2. Cost of sales

		For the year ended 31 December	
	Note	**2021**	**2020**
Raw materials consumed		**524,466**	642,687
Salaries, wages and other employee costs		**210,850**	218,720
Depreciation on property, plant and equipment	11	**103,652**	103,600
Energy cost		**100,022**	97,625
Repairs and maintenance		**45,509**	45,585
Rent		**7,310**	8,431
Depreciation on right-of-use assets	13	**1,765**	2,125
Provision for obsolete inventories, net		**2,870**	(1,432)
Others		**10,065**	6,788
		1,006,509	1,124,129

8. EXPENSES AND OTHER INCOME (Continued)

8.3. Selling and distribution expenses

	Note	For the year ended 31 December 2021	2020
Salaries, wages and other employee costs		**76,277**	71,418
Freight and transportation charges		**65,786**	73,540
Depreciation on right-of-use assets	13	**12,644**	12,341
Depreciation on property, plant and equipment	11	**9,065**	9,233
Communication and fee		**4,633**	3,370
Advertising and promotion		**3,333**	2,252
Repairs and maintenance		**3,171**	2,390
Rent		**1,050**	702
Insurance and travel		**673**	784
Others		**3,521**	3,763
		180,153	179,793

8.4. General and administrative expenses

	Note	For the year ended 31 December 2021	2020
Salaries, wages and other employee costs		**71,899**	53,408
Legal and professional fees		**3,535**	2,259
Provision for directors' remuneration		**3,309**	2,717
Depreciation on property, plant and equipment	11	**3,080**	4,579
Repairs and maintenance		**972**	864
Insurance and travel		**79**	413
Depreciation on right-of-use assets	13	**48**	195
Others		**8,027**	10,718
		90,949	75,153

8.5 Finance Costs

	For the year ended 31 December 2021	2020
Interest expense on financial liabilities measured at amortised cost	**17,981**	36,387
Interest expense on lease liabilities	**3,038**	3,161
Finance cost excluding bank charges and foreign exchange loss	**21,019**	39,548
Bank charges and others	**2,799**	5,165
	23,818	44,713

8. EXPENSES AND OTHER INCOME (Continued)

8.5 Finance Costs (Continued)

Loan Type	Notes	Short term and long term borrowings as at December 31		Interest expense for the year ended December 31	
		2021	2020	**2021**	2020
Murabaha	**21.2,21.4**	**443,535**	519,797	**11,955**	31,136
SIDF	**21.3**	**151,458**	230,208	**5,403**	3,924
Tawarruq	**21.4**	**62,526**	-	**623**	1,327
Total		**657,519**	750,005	**17,981**	36,387
Interest expense on lease liabilities	**13**			**3,038**	**3,161**
Bank charges and others				**2,799**	**5,165**
Total Finance Cost				**23,818**	**44,713**

9. ZAKAT

9.1. Basis for zakat provision

The Company is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority (the "ZATCA"). A provision for zakat for the Company and its subsidiaries is charged to the consolidated statement of profit or loss and other comprehensive income.

9.2. Changes in zakat provision are as follows

	For the year ended December 31	
	2021	**2020**
Balance at the beginning of the year	**28,001**	17,923
Zakat provision – current year	**26,784**	19,723
- prior years	**-**	12,000
	26,784	31,723
Payments made during the year	**(32,189)**	(21,645)
Balance at the end of the year	**22,596**	28,001

9.3. Status of zakat assessments

The Saudi Ceramic Company (SCC) and its subsidiaries, namely Ceramics Pipes Company (CPC), Ceramics Investment Company (CIC) and Arzan Operation and Maintenance Company have submitted their zakat returns for all the years up to 2020 and accordingly paid the zakat due.

The Zakat assessments for SCC have been closed with the Zakat, Tax and Customs Authority "ZATCA" for all the years up to 2018 and CPC for all years up to 2012 respectively.

The assessment orders for the years from 2008 to 2018 have been closed during June 2021 against final payment of SAR 12 million.

During November 2021, SCC received Zakat assessment for 2019 and 2020 from ZATCA amounting to SAR 1.98 million. SCC paid the full assessment value of SAR 1.98 million in January 2022. An appeal has been filed by the SCC against the assessed amount and the appeal has not been closed till the date of issuance of financial statements.

10. EARNINGS PER SHARE

10.1. Basic earnings per share

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

	For the year ended 31 December	
	2021	**2020**
Net profit attributable to ordinary shareholders (SAR '000')	**233,792**	77,700
Weighted average number of ordinary shares in issue ares in '000')	**79,751**	79,500
Basic and diluted earnings per share (SAR)	**2.93**	0.97

10.1.1 Numberof shares

Weighted average number of shares are adjusted to take account of Treasury Shares. (Note 20.5)

10.2. Diluted earnings per share

The calculation of diluted earnings per ordinary share is based on net profit attributable to ordinary shareholders of the Group and weighted average number of ordinary shares outstanding after adjustment for the effect of all dilutive potential ordinary shares. There were no potentially dilutive shares outstanding at any time during the year ended 31 December 2021 and 31 December 2020 respectively.

11. PROPERTY, PLANT AND EQUIPMENT

11.1. Reconciliation of carrying amount:

	Land	Buildings	Machinery and equipment	Furniture and fixtures	Motor vehicles	Leasehold improvements	Assets under construction	Spare Parts	Total
Cost									
Balance at 1 January 2020	267,954	994,343	2,490,356	88,824	102,887	27,979	65,637	23,990	4,061,970
Additions	-	267	2,874	4,020	1,739	24	23,520	4,613	37,057
Transfers during the year	-	7,248	8,039	2,212	180	5,905	(23,584)	-	-
Disposals	-	-	(304)	(365)	(3,365)	(29)	-	-	(4,063)
Balance at 31 December 2020	**267,954**	**1,001,858**	**2,500,965**	**94,691**	**101,441**	**33,879**	**65,573**	**28,603**	**4,094,964**
Additions	**58,709**	**2,496**	**5,478**	**3,332**	**5,521**	**55**	**48,015**	**12,311**	**135,919**
Transfers during the year	**-**	**2,851**	**7,009**	**1,161**	**-**	**3,867**	**(14,888)**	**-**	**-**
Disposals	**-**	**-**	**-**	**(629)**	**(6,257)**	**-**	**-**	**-**	**(6,886)**
Balance at 31 December 2021	**326,663**	**1,007,205**	**2,513,452**	**98,555**	**100,706**	**37,801**	**98,700**	**40,914**	**4,223,997**
Less: Accumulated depreciation									
Balance at 1 January 2020	-	582,303	1,564,838	72,021	99,331	22,040	-	20,421	2,360,954
Depreciation	-	32,033	71,488	5,622	2,110	3,411	-	2,748	117,412
Disposals	-	-	(304)	(330)	(3,347)	(29)	-	-	(4,010)
Balance at 31 December 2020	**-**	**614,336**	**1,636,022**	**77,313**	**98,094**	**25,422**	**-**	**23,169**	**2,474,356**
Depreciation	**-**	**32,464**	**72,043**	**4,981**	**1,154**	**2,392**	**-**	**2,763**	**115,797**
Disposals	**-**	**-**	**-**	**(629)**	**(6,225)**	**-**	**-**	**-**	**(6,854)**
Balance at 31 December 2021	**-**	**646,800**	**1,708,065**	**81,665**	**93,023**	**27,814**	**-**	**25,932**	**2,583,299**
Net Book Value									
At 31 December 2020	267,954	387,522	864,942	17,378	3,347	8,457	65,573	5,434	1,620,607
At 31 December 2021	**326,663**	**360,405**	**805,389**	**16,890**	**7,682**	**9,987**	**98,700**	**14,982**	**1,640,698**

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

11.2. Property, plant and equipment pledged as security against borrowings from financial institutions

At 31 December 2021, property, plant and equipment with carrying amount of SAR 1,166 million (31 December 2020: SAR 1,252 million) were pledged as security against the loans from Saudi Industrial Development Fund (SIDF), refer Note 21.3.

11.3. Assets under construction

Assets under contruction at year end includes certain assets that have been acquired but are not ready for their intended use. These assets are transferred to relevant assets categories and are depreciated once they are available for their intended use. No borrowing cost was capitalized during 2021 and 2020.

11.4. Allocation of Depreciation Charge

Depreciation	For the year ended December 31	
	2021	**2020**
Cost of Sales	**103,652**	103,600
Selling and distribution expenses	**9,065**	9,233
General and administration expenses	**3,080**	4,579
	115,797	117,412

12. INTANGIBLE ASSETS

Cost	
Balance at 31 December 2020	23,620
Balance at 31 December 2021	**23,620**
Accumulated amortization	
Balance at 1 January 2020	23,110
Amortization for the year	308
Balance at 31 December 2020	**23,418**
Amortization for the year	**202**
Balance at 31 December 2021	**23,620**
Net Book Value	
At 31 December 2020	202
At 31 December 2021	**-**

These intangible assets include computer softwares and related licenses acquired on various dates and amortized over five years.

13. LEASES

The Group leases warehouse and factory production related facilities. The leases typically run for a period of 10 years, with an option to renew the lease after that date. Information about leases for which the Group is a lessee is presented below.

13.1 Land and building - Right-of-use assets

Right-of-Use assets related to leased properties are presented separately in the statement of financial position.

	2021	2020
Balance at 1 January	**75,496**	63,994
Additions to Right-of-Use assets	**10,528**	26,163
Depreciation charge for the year	**(14,457)**	(14,661)
Balance at 31 December	**71,567**	75,496

13.2. Allocation of Depreciation Charge - Right-of-use assets

Depreciation	**Note**	**2021**	**2020**
Cost of Sales	**8.2**	**1,765**	2,125
Selling and distribution expenses	**8.3**	**12,644**	12,341
General and administration expenses	**8.4**	**48**	195
		14,457	14,661

13.3 Lease liabilities

	Note	**2021**	**2020**
Balance at 1 January		**68,795**	56,812
Additions to Lease Liabilities		**10,529**	23,879
Interest expense on lease liabilities	**8.5**	**3,038**	3,161
Lease liabilities paid		**(16,244)**	(15,057)
Balance at 31 December		**66,118**	68,795

The maturity profile of obligations payable under lease contracts are as follows :

	2021	**2020**
Within 1 year	**(13,902)**	(11,540)
1 year to 5 years	**(44,701)**	(35,404)
More than 5 years	**(7,515)**	(21,851)
Total	**66,118**	(68,795)

13.4 Amounts recognised in statement of profit or loss and other comprehensive income

	2021	2020
Interest on lease liabilities	**3,038**	3,161
Expenses relating to leases of low-value assets	**1,068**	1,206

13.5 Amounts recognised in statement of cash flows

Lease liabilities paid	**(16,244)**	(15,057)

14. INVESTMENT IN ASSOCIATE

The Company holds 15.87% of the share capital of Natural Gas Distribution Company (NGDC) "a Saudi Closed Joint Stock Company" registered in Riyadh, Kingdom of Saudi Arabia. The investment is accounted for using the equity method based on the Company having significant influence over the investee by representation on the board of directors. The Natural Gas Distribution Company is one of the Group's strategic suppliers and is principally engaged in the purchase and distribution of gas to the factories in the second industrial city in Riyadh.

The NGDC has share capital consisting solely of ordinary shares. The proportion of ownership interest is the same as the proportion of voting rights held.

During its meeting held on August 20, 2020, the extraordinary general assembly of NGDC agreed for the direct listing in the parallel market "Nomu". The approval of Capital Market Authority on the application for listing was issued on March 31, 2021.

Movement in carrying amount of investment in associate

	2021	2020
Investment as at 1 January	**8,963**	9,001
Share of net profit of associate	**444**	756
Dividend received	**(396)**	(794)
Investment as at 31 December	**9,011**	8,963

15. NON-CONTROLLING INTERESTS

The following table summarises the information relating to non-controlling interests in CPC, before any intra-group eliminations.

	As at 31 December	
	2021	**2020**
NCI percentage (Note 15.1)	**26.11%**	33.91%
Non-current assets	**195,815**	216,389
Current assets	**51,625**	34,710
Non-current liabilities	**(2,151)**	(21,171)
Current liabilities	**(98,249)**	(100,314)
Net assets	**147,040**	129,614
Net assets attributable to NCI	**40,383**	43,892
Revenue	**29,113**	28,936
Loss	**(7,553)**	(20,112)
Share of loss of CPC allocated to NCI	**(2,013)**	(7,212)
Net cash generated from operating activities	**29,269**	(30,014)
Net cash used in investing activities	**(2,173)**	(351)
Net cash used in financing activities	**(23,957)**	26,558
Net (decrease)/ increase in cash and cash equivalents	**3,139**	(3,807)

With effect from 1 april 2021, the shareholding of the Group in CPC has increased to 73.89%. Refer Note 1.

16. INVESTMENTS CARRIED AT FVOCI

As permitted by IFRS 9, the Group has designated its equity investments at initial recognition at FVOCI and measured them at fair value. The fair valuation resulted in unrealized gain of SAR 241,847 for the year ended 31 December 2021 (2020: Gain of SAR 794,000) which is presented under "other comprehensive income" in statement of comprehensive income.

16.1 Fair value

	As at 31 December	
	2021	2020
Gulf Real Estate Company	**7,962**	7,721
Others	**25**	25
	7,987	7,746

16.2 Dividend income recognized

No dividends received from these investments during the year ended 31 December 2021 (2020: nill).

17. INVENTORIES

	As at 31 December	
	2021	**2020**
Finished goods (note 17.1)	**434,844**	339,751
Work in progress	**80,239**	79,242
Raw materials and consumables (note 17.1)	**132,685**	153,917
Finished goods purchased for resale	**38,704**	30,841
Spare parts	**93,535**	88,522
	780,007	692,273
Less: provision for obsolete inventories (Note 17.2)	**(48,526)**	(40,436)
	731,481	651,837

17.1. Inventories written-off

Finished goods represents goods manufactured or purchased by the Group and are presented net of inventories written off during the year ended 31 december 2021 amounting to SAR 8.9 millon (31 December 2020: SAR 6.1 million). Also, raw material inventories are presented net of inventories written off during the year ended 31 december 2021 amounting to nill (31 December 2020: SAR 1 million).

17.2. Movment in provisions for obsolete inventories

	2021	**2020**
Balance at 1 January	**40,436**	41,868
Provision for the year	**16,977**	8,485
Reversal during the year	**(8,887)**	(9,917)
Balance at 31 December	**48,526**	40,436

18. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2021	**2020**
Trade receivables	**258,636**	288,978
Provision for expected credit loss (*Note 26.3.2)*	**(26,957)**	(33,713)
Trade receivables, net	**231,679**	255,265
Other receivables *(Note 18.1)*	**61,800**	71,913
Reclassified to assets under construction (Note 27)	**-**	(2,010)
	293,479	325,168

18.1. Other receivables

	As at 31 December	
	2021	**2020**
Advance to suppliers	**33,774**	43,870
Prepaid expenses	**16,670**	18,321
Advance to employees	**2,219**	1,060
Refundable deposits	**829**	830
Others	**8,308**	7,832
	61,800	71,913

Information about the Group's exposure to credit and market risks, and impairment losses for trade and other receivables is disclosed in Note 26.3.

19. CASH AND CASH EQUIVALENTS

	As at 31 December	
	2021	2020
Cash at bank	**109,116**	68,359
Cash in hand	**530**	330
Cash and cash equivalents	**109,646**	68,689

The cash at bank include SAR 60 million in profit accounts (2020: SAR 4.3 million) earning profit at various rates with commercial bank.

20. SHARE CAPITAL AND RESERVES

20.1 Share Capital

	As at 31 December	
	2021	2020
Ordinary shares authorized – Par value SAR 10 (shares in '000')	**80,000**	60,000
Number of fully paid ordinary shares in issue (shares in '000')	**80,000**	60,000
Value of ordinary shares in issue (SAR '000')	**800,000**	600,000

20. SHARE CAPITAL AND RESERVES (Continued)

Issuance of Bonus Shares – 30 March 2021

The shareholders of the Group have approved the issue of 20 million bonus shares amounting to SR 200 million by allotment of one share for every three shares held to the current shareholders of the parent company in the Extra-Ordinary General Meeting held on 30 March 2021. The share capital has increased from SR 600 million to SR 800 million effective 30 March 2021.

20.2 Nature and purpose of reserves

20.2.1 Statutory reserve

In accordance with the Company law, its implementing retulations and the Company's Articles of Association, the Company has to established a statutory reserve by the appropriation of 10% of annual net profit till the balance equals 30% of the share capital. This reserve is not available for dividend distribution.

During the year, the statutory reserves reaches to less than 30% of share capital due to issuance of bonus shares. The Company will transfer a 10% of net profit after obtaining all relevant approvals as required by Company laws and Articles of Association.

20.2.2 Fair value reserve

The fair value reserve comprises the cumulative net change including impairment, reported directly in equity, in the fair value of financial assets at fair value through other comprehensive income until the assets are derecognised. Upon derecognition, the respective financial assets' amount in transferred to retained earnings as intra-equity transfer.

20.3 Dividend per share

No dividends were paid during the year ended 31 December 2020.

Dividends paid in 2021

During a meeting held on 26 July 2021, the Board of Directors of the Company decided to approve the distribution of cash dividends to the Company's shareholders for the first half of 2021. The dividend amounting to SR 59 million was paid on 15 August 2021 at SR 0.75 per share for the shares outstanding as of 13 august 2021.

20.4 Other comprehensive income (OCI) accumulated in reserves

	Fair value reserve	Retained earnings	Total OCI
At 1 January 2021	**3,521**	**2,550**	**6,071**
Re-measurement of liability for employee retirement benefits (Note 22)	**-**	**892**	**892**
Equity instrument at FVOCI - net change in fair value (Note 16)	**241**	**-**	**241**
At 31 December 2021	**3,762**	**3,440**	**7,204**

20.5 Treasury shares

Treasury shares are held under the Company's Employee Shares Programme. 500,000 treasury shares were purchased between June 2019 and September 2019 pursuant to the decision of extra ordinary general meeting of shareholders held on 13 February 2019. . As of 31 December 2021, SAR 7.1 million have been received from employees and proportionate number of shares have been transferred. No gains or losses were recognized on this transaction and the consideration received was the average cost of the shares transferred.The share program is expected to complete during 2023 subject to completion of legal formalities and board's approval.

21. BORROWINGS

	As at 31 December	
	2021	2020
Loans from local banks (Note 21.2)	**506,061**	434,752
Saudi Industrial Development Fund – SIDF (Note 21.3)	**151,458**	230,208
Total long-term loans	**657,519**	664,960
Less: current portion		
Loans from local banks	**122,233**	108,031
Saudi Industrial Development Fund	**112,608**	93,140
Total current portion	**234,841**	201,171
Total non-current portion	**422,678**	463,789

The movement in loan balances during the year is as follows:

	2021	**2020**
Balance at 1 January	**664,960**	880,946
Receipts during the year	**525,551**	-
Repayments during the year	**(533,062)**	(215,986)
Transfer from bank charges	**70**	-
Balance at 31 December	**657,519**	664,960

21.1 Loan covenants

These loans facility agreements contain certain covenants which among other things, require the Group to maintain certain financial ratios. As at 31 december 2021, the CPC (subsidiary) was not in compliance with a covenant under few financing agreements and accordingly non-current portion of such loans have been reclassified under current liabilities.

Information about the Group's exposure to interest rate, foreign currency and liquidity risks is included in Note 26.3.

21.2 Loans from local banks

The Group obtained long-term Islamic Murabaha and Tawarruq loan facilities from local commercial banks of which utilized amount is SAR 506 million (2020: SAR 435 million) for the purpose of financing the expansion of its plants. The bank facilities are guaranteed by promissory notes in favor of the banks. The loans charges are determined based on the Murabaha and Tawarruq agreement and the periodic (quarterly or semi-annnual) loans repayments will be made which will end on 31 July 2026.

21.3. Saudi Industrial Development Fund (SIDF) loans

The Group obtained loans from SIDF to finance its expansions in ceramic and porcelain tiles, ceramic pipes, sanitary ware, electrical water heaters and red bricks plant, pledging all those plants' fixed assets. The carrying amount of these assets amounts to SAR 1,165 million (31 December 2020: SAR 1,252 million).

The loans are payable in unequal semi-annual instalments which commenced on March 8, 2012 (corresponding to Rabi Thani 15,1433) and ending on April 24, 2024 (corresponding to Shawwal 15, 1445). The SIDF un-utilized facility amount as at 31 December 2021 was NIL (31 December 2020:nill).

21. BORROWINGS (Continued)

21.4. Short term loans

Short term loans are fully paid off during the year(2020 : SAR 85 million).They represented Islamic Murabaha and Tawarruq loans granted to the Group by local commercial banks with maturity of one year or less. These loans were predominantly of a revolving nature and loans' charges were determined based on the basis of market prices. These loans were guaranteed by promissory notes in favor of the banks for the loan values.

22. EMPLOYEE RETIREMENT BENEFITS

22.1. The Group adopts retirement benefit plan as per Actuarial valuation.

The plan entitles the employee upon the post-employment to receive an award of a half month salary for each of the first five years and a one-month salary for each of the following years. The post-employment award is calculated on the last drawn salary.

22.2. Movement in employee retirement benefits

	As at 31 December	
	2021	**2020**
Balance at 1 January	**85,370**	78,729
Included in consolidated statement of profit or loss		
Current service cost	10,677	9,847
Interest cost	1,672	1,655
	12,349	11,502
Included in other comprehensive income		
Actuarial loss	**892**	2,248
Benefits paid	**(10,752)**	(7,109)
Balance at 31 December	**87,859**	85,370

22.3. Principal Actuarial assumptions

	As at 31 December	
	2021	**2020**
Discount rate	**2.20%**	2.11%
Future salary growth rate	**2.34%**	2.11%
Withdrawal rate	**12.96%**	12.59%

22.4. Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the employees' post-employment benefit liability by the amount shown below:

	As at 31 December	
	2021	2020
Base liability	**87,859**	85,370

22. EMPLOYEE RETIREMENT BENEFITS (Continued)

	As at 31 December 2021		As at 31 December 2020	
	Increase 1%	**Decrease 1%**	Increase 1%	Decrease 1%
Discount rate	**82,938**	**93,023**	79,338	88,041
Future salary growth rate	**93,417**	**82,492**	88,424	78,910

23. TRADE AND OTHER PAYABLES

	As at 31 December	
	2021	2020
Trade payables	**147,335**	143,221
Accrued expenses	**88,304**	64,978
Refund liabilities	**69,027**	52,309
Advances from customers	**1,408**	22,433
Other payables	**11,601**	14,381
	317,675	297,322

Information about the Group's exposure to currency and liquidity risks is included in Note 26.3

24. CONTINGENCIES AND COMMITMENT

The Group has obtained bank facilities in the form of letters of guarantee and letters of credit from local banks amounting to SAR 93.5 million as at 31 December 2021 (31 December 2020: SAR 63.7 million). The letters of credit include an amount of SAR 35.08 million (31 December 2020: SAR 19.5 million) relating to capital commitments for the supply of machinery and equipment for the plant expansion projects.

The Group has guaranteed a portion of the SIDF loan to CPC (the subsidiary) equivalent to its portion in the share capital of that Company as at 31 December 2021 for the amount of SAR 34.9 million (31 December 2020: SAR 36.5 million). Additionally, the Group guarantees portion of the Saudi Investment Bank loan to the CPC for the amount of SAR 16.7 million (31 December 2020: SAR 20.3 million).

25. RELATED PARTY TRANSACTIONS AND BALANCES

25.1. Subsidiaries and associates

Interest in subsidiaries and associates are disclosed in Note 1 and Note 14 of these consolidated Financial Statements.

25.2. Transactions with key management personnel

Key management personnel of the Group includes its directors and senior executive management.

Members of the Board of Directors do not receive any remuneration for their role in managing the Company unless approved by General Assembly. Members of the Board of Directors receive an attendance allowance for Board and Committee meetings. Executive Directors receive fixed remuneration as a result of their direct duties and responsibilities. The most Senior Executives, including the Chief Executive Officer and the Chief Financial Officer, receive remuneration according to the employment contracts signed with them.

25. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

The following table illustrates details of remuneration and compensation paid to Directors and Key Management Personnel:

	31 December 2021			31 December 2020		
	Non-executive board members	Key management personnel	Total	Non-executive board members	Key management personnel	Total
Salaries and compensation	**-**	**3,916**	**3,916**	-	4,013	4,013
Allowances	**-**	**1,359**	**1,359**	-	1,068	1,068
Annual and periodic remunerations	**-**	**25**	**25**	336	25	361
Incentive plans	**-**	**170**	**170**	-	408	408
Other benefits	**-**	**157**	**157**	-	81	81
Total	**-**	**5,627**	**5,627**	336	5,595	5,931

25.3 Other related party transactions

	Transactions for the year ended 31 December		Balances as at 31 December	
	2021	2020	**2021**	2020
Associate - Natural Gas Distribution Company				
Purchase of goods and services	**55,280**	42,388	**3,815**	3,934
Dividends received	**397**	794	-	-
Others				
Purchase of goods and services	**5,697**	7,712	**316**	309
Loan from related parties	**-**	-	**-**	-

26. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

26.1 Accounting classification and fair values

The following table shows the carrying amounts and fair values of the Group's financial assets and financial liabilities, including their levels in the fair value hierarchy. For the financial assets and financial liabilities not measured at fair value, that have a short-term maturity it is assumed that the carrying amounts approximate their fair value, therefore, it does not include fair value information for these financial instruments. This includes cash and cash equivalents, trade and other receivables, short term loans and trade and other payables.

	Carrying amount				Fair value			
	Fair value - hedging instruments	Financial assets at FVOCI	Amortised cost	Total	Level 1	Level 2	Level 3	Total
31 December 2021								
Financial assets								
Financial assets at FVOCI (Note 16)	-	7,987	-	7,987	-	-	7,987	7,987
Trade and other receivables (Note 18)	-	-	293,479	293,479	-	-	-	-
Cash and cash equivalents excluding cash in hand (Note 19)	-	-	109,646	109,646	-	-	-	-
	-	7,987	403,125	411,112	-	-	7,987	7,987
Financial liabilities								
Short term borrowings (Note 21)	-	-	-	-	-	-	-	-
Borrowings (Note 21)	-	-	657,519	657,519	-	-	-	-
Trade and other payables excluding accrued expenses (Note 23)	-	-	229,371	229,371	-	-	-	-
	-	-	886,890	886,890	-	-	-	-

26. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (Continued)

26.1 Accounting classification and fair values (continued)

	Carrying amount				Fair value			
	Fair value - hedging instruments	Financial assets at FVOCI	Amortised cost	Total	Level 1	Level 2	Level 3	Total
31 December 2020								
Financial assets								
Financial assets at FVOCI (Note 16)	-	7,746	-	7,746	-	-	7,746	7,746
Trade and other receivables (Note 18)	-	-	325,168	325,168	-	-	-	-
Cash and cash equivalents excluding cash in hand (Note 19)	-	-	68,359	68,359	-	-	-	-
	-	7,746	393,527	401,273	-	-	7,746	7,746
Financial liabilities								
Short term loans (Note 21)	-	-	85,045	85,045	-	-	-	-
Borrowings (Note 21)	-	-	664,960	664,960	-	-	-	-
Trade and other payables excluding accrued expenses (Note 23)	-	-	232,344	232,344	-	-	-	-
	-	-	982,349	982,349	-	-	-	-

26. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (Continued)

26.2. Measurement of fair values

The following tables show the valuation techniques used in measuring level 2 and level 3 fair values for financial instruments measured at fair value in the statement of financial position, as well as the significant unobservable inputs used.

Investments carried at FVOCI

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Equity securities	The fair value is calculated using the adjusted net asset method which involves deriving the fair value of an investee's equity instruments by reference to the fair value of its assets and liabilities (recognised and un-recognised).	- Historical margin on sale of real estate investments by investee (31 December 2021: 7%, 31 December 2020: 5%) - Historical margin on sale of real estate investments under construction by investee (31 December 2021: 9%, 31 December 2020: 10 %)	The estimated fair value would increase (decrease) if: - Expected value change in real estate investments increase (decrease) - Expected value change in real estate investments under construction increase (decrease) The unobservable inputs are based on the average margin on historical transactions in real estate investment and real estate investments under construction by the investee.

26. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (Continued)

26.2. Measurement of fair values (continued)

26.2.1 Transfers between levels of fair value hierarchy

There were no transfers between levels of fair value hierarchy in either direction during the years ended 31 December 2021 and 31 December 2020.

26.2.2 Level 3 fair values

Reconciliation of level 3 fair values

The following table shows the reconciliation from the opening balances to the closing balances for level 3 fair values for recurring fair value measurements.

Investments carried at FVOCI – Equity Securities

	2021	2020
Balance at 1 January	**7,746**	6,952
Gain included in OCI		
Net change in fair value (unrealized)	**241**	794
Balance at 31 December	**7,987**	7,746

Sensitivity analysis

For the fair value of Equity securities at fair value through other comprehensive income reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following effects.

	OCI, before zakat	
	Increase	**Decrease**
At 31 December 2021		
Expected value change in real estate investment (1% movement)	**31**	**(31)**
Expected value change in real estate investment under construction (1% movement)	**24**	**(24)**
At 31 December 2020		
Expected value change in real estate investment (1% movement)	**33**	**(33)**
Expected value change in real estate investment under construction (1% movement)	**22**	**(22)**

26. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (Continued)

26.3 Financial risk management

The Group has exposure to the following risks arising from financial instruments:

- Credit risk *(Note 26.3.2)*
- Liquidity risk *(Note 26.3.3)*
- Market risk *(Note 26.3.4)*

26.3.1 Risk management framework

The Group's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The board of directors has established the executive committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the board of directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group audit committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

26.3.2 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and cash in bank.

The carrying amounts of financial assets represent the maximum credit exposure.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. Details of concentration of revenue are included in the Note 6.

The risk management committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, if they are available, Financial Statements, credit agency information, industry information and in some cases bank references. Sale limits are established for each customer and reviewed quarterly. Any sales exceeding those limits require approval from the risk management committee.

The Group limits its exposure to credit risk from trade receivables by obtaining letters of guarantee or letters of credit based on the credit history of customer. Trade receivables at 31 December 2021 with carrying amount of SAR 109.8 million (31 December 2020: SAR 156.1 million) are secured against either letters of guarantee or letters of credit.

26. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (Continued)

26.3 Financial risk management (continued)
26.3.2 Credit risk (continued)

At 31 December, the gross exposure to credit risk for trade receivables by geographic region was as follows:

	2021	2020
Saudi Arabia	**213,074**	248,234
Other GCC countries	**39,721**	37,031
Other countries	**5,841**	3,713
Total	**258,636**	288,978

The five largest customers account approximately for 36% of gross outstanding trade receivables at 31 December 2021 (2020: 44%).

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The loss allowance provision is determined as follows; the expected credit losses below also incorporate forward looking information.

31 December 2021	**Expected loss rate**	**Gross Carrying amount**	**Loss allowance provision**
Current	**0.23%**	**198,581**	**454**
0 - 30 Days past due	**2.88%**	**8,811**	**254**
31 - 60 Days past due	**3.15%**	**4,099**	**129**
61 - 90 Days past due	**15.87%**	**3,049**	**484**
91 - 120 Days past due	**22.36%**	**2,760**	**617**
121 - 270 Days past due	**20.09%**	**6,511**	**1,308**
270+ Days past due	**68.08%**	**34,825**	**23,711**
		258,636	**26,957**

31 December 2020	**Expected loss rate**	**Gross Carrying amount**	**Loss allowance provision**
Current	0.09%	207,920	180
0 - 30 Days past due	0.59%	8,281	49
31 - 60 Days past due	3.09%	4,560	141
61 - 90 Days past due	6.88%	4,709	324
91 - 120 Days past due	10.57%	2,894	306
121 - 270 Days past due	24.08%	6,681	1,609
270+ Days past due	57.67%	53,933	31,104
		288,978	33,713

During the period, the company made no write-offs of trade receivables, and it does not expect to receive future cash flows from and no recoveries from collection of cash flows previously written off.

26. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (Continued)

26.3 Financial risk management (continued)
26.3.2 Credit risk (continued)

Movements in the allowance for impairment in respect of trade receivables

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2021	2020
Balance at 1 January	**33,713**	23,368
Increase in loss allowance recognised in profit or loss	**2,883**	10,345
Write-off during the year	**(9,639)**	-
Balance at 31 December	**26,957**	33,713

Cash and cash equivalents

The Group held cash and cash equivalents of SAR 110 million at 31 December 2021 (31 December 2020: SAR 68.7 million). The cash and cash equivalents are held with banks with high credit ratings, ranging from BBB+ and above therefore, the Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

26.3.3 Liquidity risk

Liquidity risk is the risk that an enterprise 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. Following are the contractual maturities at the end of the reporting period of financial liabilities. The amounts are grossed and undiscounted and include estimated interest payments.

	31 December 2021			
Financial liabilities	**Carrying amount**	**On demand or less than 1 year**	**Upto 5 years**	**More than 5 years**
Borrowings	**657,519**	**234,841**	**422,678**	-
Trade and other payables excluding accrued expenses	**229,371**	**229,371**	-	-
	886,890	**464,212**	**422,678**	**-**

	31 December 2020			
Financial liabilities	Carrying amount	On demand or less than 1 year	Upto 5 years	More than 5 years
Borrowings	750,005	286,216	463,789	-
Trade and other payables excluding accrued expenses	232,344	232,344	-	-
	982,349	518,560	463,789	-

The Group's liquidity risk arises from the short-term borrowings, the current portion of long-term borrowings, accounts payable and other liabilities.

26. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (Continued)

26.3 Financial risk management (continued)

26.3.3 Liqudity risk (continued)

The group maintains sufficient amount of cash and cash equivalents for liquidity purpose. Management reviews cash flow forecasts on a regular basis to determine whether the group has sufficient cash reserves to meet future working capital requirements and to take advantage of business opportunities. The Group limits liquidity risks through having bank facilities available and ensuring settlement of payables and receivables on due date.

26.3.4. Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices – will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Commission rate risk

Commission rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing commission rates on the Company's financial position and cash flows. The Group is subject to the risk of fluctuating commission charges at prevailing market rates on its bank loans and facilities that carry variable commission rates and amounts to SAR 409 million at 31 December 2021 (31 December 2020: SAR 435 million). The Group's policy is to manage its finance cost using a mix of fixed and variable commission rate borrowings and the Group is working on minimizing the risks on commission rates through monitoring the expected fluctuations in the commission rates.

Sensitivity analysis

The following table demonstrates the sensitivity of the income to reasonably possible changes in commission rates, with all other variables held constant. There is no direct impact on the Group's equity.

	Increase/ decrease in basis points of commission rates	Effect on income for the year
31 December 2021	+100	**(4,090)**
	-100	**4,090**
31 December 2020	+100	(4,350)
	-100	4,350

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in currency other than SAR. The Group's exposure to foreign currency risk is primarily limited to transactions in, Euro ("EUR"), Great British Pounds ("GBP"), United State Dollars ("USD"), and UAE Dirham ("AED"). The Group's management believes that their exposure to currency risk is limited as the SAR and AED are pegged to USD. The fluctuation in exchange rates against EUR and GBP are monitored on a continuous basis.

The management monitors fluctuations in foreign currency exchange rates and believes that the Company is not significantly vulnerable to exchange rate changes.

26. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (Continued)

26.3 Financial risk management (continued)

26.3.4 Market risk (continued)

Quantitative data regarding the Group's exposure to currency risk arising from currencies that are not pegged to USD is as follows:

	31 December 2021	
	EUR	**GBP**
Cash at bank	**763**	**268**
Trade receivables	**-**	**-**
Trade payables	**(4,276)**	**(284)**
Net statement of financial position exposure	**(3,513)**	**(16)**

	31 December 2020	
	EUR	GBP
Cash at bank	2,037	42
Trade receivables	485	-
Trade payables	(12,596)	(754)
Net statement of financial position exposure	(10,074)	(712)

Sensitivity analysis

A strengthening / (weakening) of the EUR and GBP against SAR by 10% would have affected the measurement of financial instruments denominated in foreign currency and would have increased / (decreased) the profit or loss by the amounts shown below:

	31 December 2021	
	Strengthening	**Weakening**
EUR (10% movement)	**(351)**	**351**
GBP (10% movement)	**(2)**	**2**
	(353)	**353**

	31 December 2020	
	Strengthening	**Weakening**
EUR (10% movement)	(1,007)	1,007
GBP (10% movement)	(71)	71
	(1,078)	1,078

26. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (Continued)

26.4. Capital management

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitors the return on capital employed and the level of dividends to ordinary shareholders.

The Group's objectives when managing capital are:

a) To safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
b) To provide an adequate return to shareholders.

27. RECLASSIFICATION

During the year, the Group reclassified certain balances as listed below, which are considered by management a more accurate presentation and reflects the related nature. These reclassifications have no impact on previously reported net income or retained earnings.

	As per previously reported	Reclassified amounts	Amount of reclassification
Consolidated statement of financial position			
Assets under construction	63,563	**65,573**	2,010
Trade and other receivables	327,178	**325,168**	(2,010)
Inventory	646,607	**651,837**	5,230
Spare parts	33,833	**28,603**	(5,230)

28. SUBSEQUENT EVENTS

There have been no significant subsequent events since the year end that would have a material impact on the financial position of the Group except as below:

Dividend
The Board of Directors of the Saudi Ceramic Company decided, in their meeting held on February 16, 2022, to approve the distribution of cash dividends to the Company's shareholders for the second half of the year 2021.

Saudi Ceramic Co.'s board of directors declared a 7.5% cash dividend of SAR 0.75 per share for the second half of 2021 amounting to SR 59.9 million.

29. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These Consolidated Financial Statements for the year ended 31 December 2021 were approved on 15 Rajab 1443 (Corresponding to 16 February 2022) by the executive committee under the delegated authority of the board of directors.