AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)

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

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

Table of contents	Page
Independent Auditor's Report	1 - 6
Consolidated Statement of Financial Position	7
Consolidated Statement of Profit or Loss and Other Comprehensive Income	8
Consolidated Statement of Changes in Equity	9
Consolidated Statement of Cash Flows	10
Notes to the Consolidated Financial Statements	11 – 55

Independent Auditor's Report to the Shareholders of Al Hassan Ghazi Ibrahim Shaker Company

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Al Hassan Ghazi Ibrahim Shaker Company (the "Company") and its subsidiaries (together 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 issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2021;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Key Audit Matters	• Impairment of trade and other receivables • Valuation of investment in the Group's associate • Restatement of prior years amounts

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

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

Key audit matter	How our audit addressed the Key audit matter
Impairment of trade and other receivables	
As at December 31, 2021, the Group's gross trade and other receivables balance was SR 505 million (2020: SR 438 million) with an associated provision for impairment loss of SR 119 million (2020: SR 105 million). The Group assesses at each reporting date whether the trade and other receivables (carried at amortised cost) are credit-impaired. The Group's management has applied a simplified expected credit loss ("ECL") model in accordance with International Financial Reporting Standard 9 ("IFRS 9"), to determine the allowance for impairment of trade and other receivables. The ECL model involves the use of various assumptions, macro-economic factors and study of historical trends relating to the Group's trade and other receivables collections experience. We considered this as a key audit matter as the management applies significant judgment in determining an appropriate impairment loss allowance for receivables including macro-economic factors and the calculation of the time value for money. *Refer to Note 2.2 (q) for the accounting policy and Note 6 for the related disclosures in the accompanying consolidated financial statements.*	Our audit procedures related to impairment losses on trade and other receivables included: • We obtained management's model for the impairment assessment and tested key assumptions, including those used to calculate the likelihood of default, by comparing to historical data and challenged these assumptions. We also considered the incorporation of forward looking macro-economic factors to reflect the impact of future events on expected credit losses. We also tested the arithmetical accuracy of the model. • On a sample basis, we tested the accuracy of the historical data and aging analysis of trade and other receivables used as inputs to the ECL model. • We involved our internal valuation specialists to assist us in reviewing the modelling framework in computing provisions under IFRS 9 for trade and other receivables including reviewing the model methodology and the ECL computation on a sample basis. • Performed sensitivity analyses over the reasonably possible changes in oil prices with all other variables, in order to assess the potential impact of a range of possible outcomes. • Assessed the adequacy of the Group's disclosures in terms of applicable accounting standards.

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
Valuation of investment in the Group's associate	
As at 31 December 2021, the carrying value of the Group's investment in its associate, LG Shaker, amounted to SAR 442 million. The Group is exposed to the risk of impairment of its equity-accounted investee, dependent on the performance of the investee and the environment in which it operates. The Group's management considers whether there are indicators of impairment with respect to the investment in LG Shaker and conducts its impairment test on an at least annual basis to assess the recoverability of the investment using the value in use model. Impairment assessment of these investments requires significant judgment with respect to future sales growth and profitability of investee, cashflow projections and selection of appropriate discount rate and there is a risk that the carrying value of the investment and any related impairment charge may be incorrect. We considered the valuation of the investment in the Group's associate as a key audit matter due to the significant judgment and assumptions involved in the impairment assessment process, and the significant amount it represents as a proportion of the Group's total assets. *Refer to 2.2 (d) for the accounting policy and Note 7 for the related disclosures in the accompanying consolidated financial statements.*	Our audit procedures related to the valuation of investment in an associate included: • Utilized our internal valuations specialists to assess the key assumptions used by management in their value-in-use calculation, including cash flow projections and discount rates. Further, we assessed the reasonableness of significant management assumptions in respect of estimated future cash flows, growth and discount rates and performed a sensitivity analysis on these key assumptions. • Compared management's assumptions and applied our understanding of the future prospects of the business from internal and external sources and compared the forecasts to the historical past performance of the associate. • Assessed the completeness and accuracy of the information used by the Group management as the basis of their assessment. • Considered the adequacy of the Group's disclosures in terms of applicable accounting standards.

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
Restatement of prior years amounts	
During the year, certain errors were identified in prior years amounts that required restatement of the consolidated statement of financial position as at December 31, 2020 (and the prior year opening equity position at January 1, 2020) and in the consolidated statement of profit or loss and other comprehensive income for the prior year, in accordance with IAS 8, as explained below: • The unrealized profit on upstream transactions between the Group and its associate had not been eliminated in prior years. • Included within trade and other receivables was a receivable balance amounting to SAR 28.64 million in relation to advisory services offered by one of the Group's subsidiaries. Based on the memorandum of understanding between the subsidiary and its customer, the fees were contingent in nature. Further, the probability of realizability of these fees was low and did not meet the required revenue recognition criteria of IFRS 15. • The presentation of the statement of financial position is changed retrospectively for better understanding and presentation by segregating prepayments and other debt balances from trade and other receivables. We considered this to be a key audit matter because of the significance of the amounts involved in the restatements and also the complexity of determining the amounts involved because of the age of some of the transactions and difficulties around accessing historical information. *Refer to Note 32 in the accompanying consolidated financial statements for the related disclosures.*	We performed the following procedures related to prior periods restatement: • Tested the calculations made by management for the upstream transactions between the Group and its associate by reference to the accounting records of prior years, in order to ensure compliance with the requirements of IAS 28. • Tested the supporting documents for the trade receivable balance and management's calculation of the required restatement to achieve compliance with the requirements of IAS 37. • Traced the comparative figures for the statement of financial position and the statement of profit or loss and other comprehensive income before the restatements to the previously issued financial statements. • Checked the mathematical accuracy of the comparative figures after the restatement impact. • Considered the adequacy of the Group's disclosures relating to the restatements in terms of the applicable accounting standards.

Other information

The directors are responsible for the other information. The other information comprises the Annual Report of the Group (but does not include the consolidated financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the 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.

When we read the Annual Report of the Group, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 issued by SOCPA, and the applicable requirements of the 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.

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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the [consolidated] financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the [consolidated] financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current 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.

PricewaterhouseCoopers

Ali A. Alotaibi
License Number 379
March 23, 2022

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
Consolidated statement of financial position
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Notes	December 31, 2021	December 31, 2020 (Restated)	January 1, 2020 (Restated)
Assets				
Non-current assets				
Property and equipment	4.1	**197,345**	212,860	223,294
Right of use assets	4.2	**8,479**	11,337	15,829
Intangible assets	5	**12,010**	12,784	13,396
Trade and other receivables	6	**13,285**	11,284	9,443
Investment in an associate	7	**442,395**	419,154	443,807
Total non-current assets		**673,514**	667,419	705,769
Current assets				
Inventories	8	**349,959**	296,061	276,340
Trade and other receivables	6	**372,572**	321,891	348,513
Prepayments and other debt balances	9	**40,007**	30,315	30,936
Cash and cash equivalents	10	**53,020**	79,906	63,752
Total current assets		**815,558**	728,173	719,541
Total assets		**1,489,072**	1,395,592	1,425,310
Equity and liabilities				
Equity				
Share capital	11	**630,000**	630,000	630,000
Statutory reserve	12	**140,937**	140,937	140,937
Accumulated losses		**(148,002)**	(175,556)	(181,440)
Equity attributable to owners of the Company		**622,935**	595,381	589,497
Non-controlling interests	13	**13,650**	13,073	12,487
Total equity		**636,585**	608,454	601,984
Liabilities				
Non-current liabilities				
Lease Liabilities and borrowings	14	**74,603**	109,936	95,975
Employee Benefits obligation	15	**22,527**	25,070	24,121
Long term payables		**-**	-	95,000
Total non-current Liabilities		**97,130**	135,006	215,096
Current liabilities				
Lease Liabilities and borrowings	14	**412,494**	278,228	302,667
Trade and other payables	16	**324,361**	342,705	278,102
Zakat and foreign income tax liabilities	17	**6,343**	19,370	15,691
Warranty Provision	18	**12,159**	11,829	11,770
Total current liabilities		**755,357**	652,132	608,230
Total liabilities		**852,487**	787,138	823,326
Total equity and liabilities		**1,489,072**	1,395,592	1,425,310

The accompanying notes on the pages from 11 to 55 form an integral part of these consolidated financial statements

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
Consolidated statement of Profit or Loss and Other Comprehensive Income
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Notes	For the year ended December 31, 2021	2020 (Restated)
Revenues	20	**1,086,445**	932,699
Cost of sales	21	**(850,923)**	(737,139)
Gross profit		**235,522**	195,560
General and Administrative expenses	24	**(83,918)**	(84,629)
Selling and distribution expenses	23	**(101,074)**	(95,567)
Impairment loss on trade and other receivables	6	**(15,734)**	(17,778)
Other income	22	**2,451**	14,505
Income from operations		**37,247**	12,091
Finance costs	25	**(17,323)**	(18,769)
Other expense- Foreign exchange loss		**(1,789)**	(2,906)
Share of net profit from an associate	7	**23,241**	24,347
Profit before zakat and foreign income tax		**41,376**	14,763
Zakat and income tax expense	17	**(13,420)**	(6,740)
Net Profit for the year		**27,956**	8,023
Other comprehensive Income (loss)			
Items that will not be reclassified to profit or loss			
Re-measurement of the employee benefits obligation	15	**175**	(1,553)
Other comprehensive income (loss) for the year, net of zakat and income tax		**175**	(1,553)
Total comprehensive income for the year		**28,131**	6,470
Profit attributable to:			
Owners of the Company		**27,423**	7,426
Non-controlling interests		**533**	597
		27,956	8,023
Total comprehensive income attributable to:			
Owners of the Company		**27,554**	5,884
Non-controlling interests		**577**	586
		28,131	6,470
Earning per share:			
Basic and diluted earnings per share	26	**0.44**	0.12

The accompanying notes on the pages from 11 to 55 form an integral part of these consolidated financial statements.

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
Consolidated statement of change in equity
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Attributable to the owners of the Company					
	Share capital	Statutory reserve	Accumulated losses	Total shareholders' equity	Non-controlling interest	Total equity
Balance at 1 January 2021 as previously reported	**630,000**	**140,937**	**(138,930)**	**632,007**	**20,519**	**652,526**
Restatement - (note 32)	-	-	**(36,626)**	**(36,626)**	**(7,446)**	**(44,072)**
January 1, 2020 (as restated)	**630,000**	**140,937**	**(175,556)**	**595,381**	**13,073**	**608,454**
Net profit for the year	-	-	**27,423**	**27,423**	**533**	**27,956**
Other comprehensive income	-	-	**131**	**131**	**44**	**175**
Total comprehensive income for the year	-	-	**27,554**	**27,554**	**577**	**28,131**
Balance at December 31, 2021	**630,000**	**140,937**	**(148,002)**	**622,935**	**13,650**	**636,585**
Balance at 1 January, 2020 as previously reported	630,000	140,937	(146,925)	624,012	19,933	643,945
Restatement- (note 32)	-	-	(34,515)	(34,515)	(7,446)	(41,961)
January 1, 2020 (as restated)	630,000	140,937	(181,440)	589,497	12,487	601,984
Net profit, as restated	-	-	7,426	7,426	597	8,023
Other comprehensive loss	-	-	(1,542)	(1,542)	(11)	(1,553)
Total comprehensive income for the year	-	-	5,884	5,884	586	6,470
Balance at December 31, 2020 (as restated)	630,000	140,937	(175,556)	595,381	13,073	608,454

The accompanying notes on the pages from 11 to 55 form an integral part of these consolidated financial statements.

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)
Consolidated statement of cash flows
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Notes	For the year ended December 31, 2021	2020 (Restated)
Cash flows from operating activities			
Profit before zakat and foreign income tax		**41,376**	14,763
Adjustments for non-cash items			
Depreciation	4.1	**10,621**	12,354
Depreciation of right-of-use assets	4.2	**6,775**	7,750
Amortisation	5	**774**	612
Impairment losses on inventories	8	**6,114**	13,529
Impairment losses on trade and other receivables	6	**15,734**	17,778
Share of profit from an associate	7	**(23,241)**	(24,347)
Gain from sale of property and equipment		**(401)**	(35)
Gain on termination of a lease	4.2	**(620)**	-
Finance costs	25	**17,323**	18,769
Provision for employee benefits obligation	15	**2,940**	3,424
		77,395	64,597
Changes in working capital:			
Inventories		**(60,012)**	(33,250)
Trade and other receivables		**(68,416)**	7,003
Prepayments and other debt balances		**(9,692)**	621
Trade and other payables		**(18,344)**	(30,397)
Warranty Provision		**330**	59
Cash generated from operating activities		**(78,739)**	8,633
Finance cost paid		**(16,828)**	(17,986)
Zakat paid	17	**(26,447)**	(3,061)
End of service benefits paid	15	**(5,308)**	(4,028)
Net cash used in operating activities		**(127,322)**	(16,442)
Cash flows from investing activities			
Additions of property and equipment	4.1	**(2,660)**	(1,920)
Proceeds from sale of property and equipment		**7,955**	35
Dividend received from an associate	7	**-**	49,000
Net cash generated from investing activities		**5,295**	47,115
Cash flows from financing activities			
Proceeds from bank and borrowings	14	**1,546,909**	836,178
Repayment of bank and borrowings	14	**(1,444,286)**	(825,893)
Payment of lease liabilities		**(7,482)**	(8,256)
Net cash generated from financing activities		**95,141**	2,029
Net (decrease) increase in cash and cash equivalents		**(26,886)**	32,702
Cash and cash equivalents at 1 January		**79,906**	47,204
Cash and cash equivalents at 31 December	10	**53,020**	79,906
Non cash transactions			
Addition to right-of-use assets	4.2	**5,983**	3,259

The accompanying notes on the pages from 11 to 55 form an integral part of these consolidated financial statements.

1 The Company, its recognized and its business description

Al Hassan Ghazi Ibrahim Shaker Company (the "Company" (or) the "Parent Company" (or) "HGISC") was registered as a limited liability Company in the Kingdom of Saudi Arabia under Commercial Registration number 1010149252 dated 26 Dhul Qadah 1418H (corresponding to 25 March 1998). The Company converted from a limited liability company to a closed joint stock company pursuant to the Ministerial Resolution No. 275 on 17 Shabaan 1429H (corresponding to 18 August 2008).

The Parent Company offered 10.5 million shares to public, during the subscription period from 26 April 2010 (corresponding to 11 Jumada Awal 1431H) to 2 May 2010 (corresponding to 17 Jumada Awal 1431H). The Parent Company's shares started trading in the Saudi Stock Exchange on 17 May 2010 (corresponding to 3 Jumada Thani 1431H). Accordingly, after successful completion of the IPO (Initial Public Offering Process), the Parent Company was declared as a Saudi Joint Stock Company with a share capital of SR 350 million, divided into 35 million shares of SR 10 each. On 29 March 2015. A bonus of four shares for every five ordinary shares outstanding was issued and resultantly the share capital of the Company was increased from SR 350 million to SR 630 million.

As at December 31, 2021 and December 31, 2020, the authorized, issued and paid up share capital of the Company is SAR 630 million divided on 63 million shares of SAR 10 each.

The Company's Board of Directors recommended a decrease of the Company's share capital by an amount of SAR 147.666 million to absorb the accumulated losses balance and subsequently increase through the issuance of rights shares with the amount of SAR 249 million as per the announcement dated 12 Jumad Al Awwal 1443 H corresponding to (December 16 , 2021). The Company has also announced the submission of its application to reduce and increase the share capital on 19 Jamad Al Awwal 1443 H (Corresponding to December 23, 2021) to the Capital Market Authority (CMA). The CMA approved the Company's requests subsequent to the year end on March 15, 2022. However, the legal formalities for capital decrease and issuance of rights are still in process till the date of issuance of these consolidated financial statements.

The Parent Company is engaged in the trading and wholesale of spare parts, electronic equipment, household equipment and air-conditioners, maintenance of the items mentioned above and providing agency services to those companies which are in the same business.

The Company's registered office is located at the following address: Shaker Group Building, Alsahafa District, King Fahad Road, Riyadh 11422, Kingdom of Saudi Arabia.

The Group has branches which are operating under separate commercial registrations. Details of these branches are as follows:

Branch location	Commercial Registration	Date
HGISC – Parent Company		
Buraidah	1131014566	July 20,1999 (7 Rabi" al- Thani 1420H)
Khamis Mushait	5855025991	April 13,2005 (4 Rabi' al- Awwal1426H)
Khobar	2051029431	May 2,2004 (13 Rabi' al- Awwal1425H)
Jeddah	4030102685	April 3,1994 (21 Shawwal 1414 H)
Riyadh	1010685573	February 5, 2021 (22 Jumada al-akirah 1442H)
Riyadh	1010518534	January 25, 2019 (18 Jumada al-Awwal 1440H)
Riyadh	1010411362	April 20,2014 (20 Jumada al- akhirah 1435H)
Madina	4650035092	May 5,2004 (15 Rabi' al- Awwal 1425 H)
Mecca	4031213336	March 20,2018 (3 Rajab 1439H)
Ibrahim Shaker Company Limited -subsidiary		
Jeddah	4030034475	May 10, 1982 (16 Rajab 1402H)
Khobar	2051010124	July 14, 1984 (15 Shawwal 1404H)
Baha	5800020162	July 6, 2015 (19 Ramadhan 1436H)
Buraidah	1131020925	June 14, 2005 (7 Jumada al- Ula 1426H)
Khamis Mushait	5855027659	January 30, 2007 (11 Muharram 1428H)
Najran	5950028155	November3, 2013 (29 Thul- Hijjah 1434H)
Riyadh	1010045129	June 7, 1982 (15 Sha'ban 1402 H)
Riyadh	1010443442	April 14, 2016 (5 Rajab 1437H)
Tabuk	3550039676	January 15, 2018 (27 Rabi al-akirah 1439H)
Jeddah	4030043910	June 3, 1984 (4 Ramadan 1404H)
Jeddah	4030298838	January 15, 2018 (27 Rabi" al- Thani 1439H)
Jizan	5900112066	January 22, 2018 (5 Jumada al- Ula 1439H)
Alhafouf	2252070059	January 31, 2018 (14 Jumada al- Ula 1439H)
Dammam	2050115449	January 30, 2018 (13 Jumada al- Ula 1439H)
Jeddah	4030034931	June 9, 1982 (16 Sha'ban 1402H)
Hafer Albatain	2511026698	January 30, 2018 (13 Jumada al- Ula 1439H)
Riyadh	1010671644	December2, 2020(17 Rabi' al- Thani 1442H)

1 The Company, its recognized and its business description (continued)

Branch location	Commercial registration	Date
Ibrahim Hussain Shaker Projects and Maintenance Company Limited – subsidiary		
Jeddah	4030159728	February 6, 2006 (7 Muharram 1427H)
Jeddah	4030281814	April 13, 2015 (24 Jumada al- Alkhirah1436H)
Riyadh	1010434932	June 15, 2015 (28 Sha'ban 1436H)
ASDAA Gulf Trading Company- subsidiary		
Riyadh	1010243196	January 26,2008 (17 Muharram 2008H)

These consolidated financial statements include the financial position and performance of the Company and its branches as well as the following subsidiaries (collectively referred as the "Group").

Name	Principal field of activity	Country of incorporation	Effective ownership interest at 31 December	
			2021	2020
Ibrahim Shaker Company Limited ("ISCL")	Wholesale of household appliances	Saudi Arabia	100%	100%
Ibrahim Hussein Shaker Projects and Maintenance Company Limited(IHSCL)	Import, export and marketing services	Saudi Arabia	100%	100%
ASDAA Gulf Trading Company ("ASDAA")	Wholesale of electronic devices	Saudi Arabia	100%	100%
Energy Management Services Emirates LLC ("EMS")(see below)	Energy solution providers	United Arab Emirates	74%	74%
New Vision for Electronics and Electrical Appliances Company ("NVEEAC)	Import, export and maintenance of electrical and home appliances	Jordan	60%	60%

Entities fully controlled through a subsidiary- EMS

Name	Principal field of activity	Country of incorporation	Effective ownership interest at 31 December	
EMS			2021	2020
Energy Management Services Energy solution International ("EMSI")	Energy solution providers	Jordan	100%	100%
Jemain EMS Company LLC Energy solution United Arab ("JECL)	Energy solution providers	United Arab Emirates	100%	100%

These consolidated financial statements were approved by the Board of Directors on March 16, 2022.

2 Summary of significant accounting policies

Significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies are consistently applied to all periods presented, unless otherwise stated.

2.1 Basis of preparation

a) Statement of compliance

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

The amounts in the consolidated financial statements have been presented in Saudi Riyals (SR or SAR) with all values rounded to the nearest thousand except where stated otherwise.

b) Historic cost convention

The consolidated financial statements have been prepared on a historical cost basis except for the defined benefit plan which is measured at present value of future obligations using Projected Unit Credit Method. Further, the consolidated financial statements are prepared using the accrual basis of accounting and going concern concept.

The financial performance of the Group has improved during the current year due to increase in the sales volumes and other austerity measures which has resulted in a profit and resultant decrease in the accumulated loss position. During the year ended 31 December 2021 the Group has reported a total comprehensive income of SR 28.1 million (2020: total comprehensive income of SR 6.47 million) and, as of that date, reported accumulated losses of SR 148 million. The Group continues to manage its trading activities, supply chain and collections of its receivables. Management continues to expect a gradual improvement in its business activities based on the local measures undertaken by the government. Further, the Group's ability to meet its obligations as they become due, depends on its ability to manage the current downturn in economic activities and in subsequent periods enhancement of its results and cash flows, continued improvements in its working capital and the renewal or refinancing of loan facilities.

In assessing the going concern assumptions, the Board of Directors has reviewed the base case plans for the future years along with the comparison of budget with the actual for the current year. In the normal course of business, the Group as and when fall due negotiates with the banks to renew and/or refinance its facilities. During the year ended 31 December 2021. The Group has successfully renewed its existing facilities which were due for renewal. Additionally, subsequent to year end, the Group has also secured new facilities. The Board continues to expect successful negotiations and continuity of facilities renewals in future as well when required. In consideration of cash flows forecasts, certain trading initiatives i.e. improving sales volume, improved gross margins, actual and continued working capital improvements coupled with cost cutting initiatives, the Group expects to meet its obligations as they become due in the normal course of operation. Based on the factors as discussed above, the Group has a reasonable expectation that it will be able to operate as a going concern for the foreseeable future. the parent Company Board of Directors has also recommended to decrease the Company's share capital to absorb the accumulated losses and to subsequently increase the share capital by issuing new rights (See note 1). Accordingly, the consolidated financial statements have been prepared under the going concern basis.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

c) ***Basis of consolidation***

These Consolidated Financial Statements comprising the Consolidated Statement of Financial Position, Consolidated Statement of profit or loss and other comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and notes to the Consolidated Financial Statements of the Group include assets, liabilities and the results of the operations of the Company and its subsidiaries, as set out in note (1). The Company and its subsidiaries are collectively referred to as the "Group". Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control commences until the date on which control ceases. The Group accounts for the business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identified net assets acquired and fair value of pre-existing equity interest in the subsidiary. The excess of the cost of acquisition and amount of Non-Controlling Interest ("NCI") over the fair value of the identifiable net assets acquired is recorded as goodwill in the Consolidated Statement of Financial Position. NCI is measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. If the business combination is achieved in stages, the acquisition date carrying value of the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in the Consolidated Statement of Profit or Loss. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Accounting policies of subsidiaries are aligned, where necessary, to ensure consistency with the policies adopted by the Group. The Company and its subsidiaries have the same reporting periods.

2.2 Significant accounting policies

a) New Standards, Amendment to Standards and Interpretations:

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing on or after 1 January 2021:

Amendments to IFRS 7 and IFRS 16 interest rate benchmark reform – Phase 2

The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.

Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions

As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the International Accounting Standards Board ("IASB") published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. The adoption of above amendments does not have any material impact on the Consolidated Financial Statements during the year.

b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for Annual reporting periods ending 31 December 2021 and have not been early adopted by the Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 Basis of preparation and significant accounting (continued)

2.2 Significant accounting policies (continued)

c) Business combinations and goodwill

Business combinations are accounted for using the acquisition method when the control is transferred to the Group. The cost of an acquisition is measured as the aggregate of the consideration transferred which is measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through consolidated statement of profit or loss and other comprehensive income.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest (NCI), and any previous interest held, over the net identifiable assets acquired and liabilities assumed).

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

d) Investment in an associate

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

The Group's investments in its associate and is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised, nor individually tested for impairment.

The profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognized its share of any changes, when applicable, in the statement of changes in equity (Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

2 Basis of preparation and significant accounting (continued)

2.2 Significant accounting policies (continued)

d) Investment in an associate (continued)

The aggregate of the Group's share of profit or loss of an associate and is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate is prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognized the loss as 'Share of profit of an associate in the profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognized any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

e) Current versus non-current classification

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

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

The Group classifies all other assets as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current

f) Fair value measurement

The Group measures certain financial instruments and non-financial assets at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either

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

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2 Basis of preparation and significant accounting (continued)

2.2 Significant accounting policies (continued)

f) Fair value measurement (continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, recognized the use of relevant observable inputs and recognized the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are recognized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

To measure the fair value of properties, the Group engages an independent valuer who holds a recognized and relevant professional qualification and has recent experience in the location and category of the asset being valued. Management reviews valuer's report and assesses appropriateness of assumptions and valuation techniques and the overall reasonableness of valuation. For the purpose of fair value disclosures, the Group has determined classes of assets based on the nature, characteristics and risks of the asset and the level of the fair value hierarchy, as explained above.

For financial instruments quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities. The fair value of investments in mutual funds, unit trusts or similar investment vehicles are based on the last published net assets value For unquoted financial instruments fair value is determined by reference to the market value of a similar investment, discounted cash flows, other appropriate valuation models or brokers" quotes,

For financial instruments carried at amortised cost, the fair value is estimated by discounting future cash flows at the current market rate of return for similar financial instruments. For investments in equity instruments, where a reasonable estimate of fair value cannot be determined, the investment is carried at cost.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

g) Revenue from contracts with customers

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks. The specific recognition criteria described below must also be met before revenue is recognized.

Sale of goods

Revenue from the sale of goods is recognized when a customer obtains controls of the goods at a point in time i.e. on delivery and acknowledgement of goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

For volume rebates a refund liability is recognized for expected volume discount payable to customers in relation to sales made until the end of the reporting period.

The Group provides normal warranty provisions for general repairs for two, five and ten years on all its products sold, in line with industry practice. A liability for potential warranty claims is recognized at the time the product is sold.

2 Basis of preparation and significant accounting (continued)

2.2 Significant accounting policies (continued)

g) Revenue from Contracts with Customers (continued)

Rendering of services

Revenue from service is recognized when obligation is performed or services are rendered, by reference to the stage of completion. Stage of completion is measured by reference to labor hours incurred to date as a percentage of total estimated labor hours for each contract. When the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are eligible to be recovered.

Generally the Group recognizes revenue from services related to installation of products, repairs or maintenance service when control is transferred being over the time the service is provided. For service contracts covering a longer period revenue is recognized on a linear basis over the contract period.

Professional consultancy fees

The Group provides consultancy services for energy value analysis during the design phase of projects and developments. Revenue from consultancy services is recognized when the obligation is performed, or services have been rendered as per the terms and condition of the respective customer contracts.

Revenue is recognized overtime when the services have been rendered as per the terms and conditions of the respective customer contracts. Any amounts remaining unbilled at the end of the reporting period are presented in the consolidated statement of financial position as contract assets.

h) Contract balances

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

i) Zakat and Taxation

Zakat and income tax

The Parent Company and domestic subsidiaries are subject to zakat in accordance with the regulations of Zakat and Tax and Customs Authority ("ZATCA"). Foreign subsidiaries are subject to the relevant income tax regulations in their countries of domicile. Group's zakat and its share in the foreign subsidiaries income tax are accrued and charged to the consolidated statement of profit or loss and other comprehensive income currently. Additional zakat and foreign income tax liabilities, if any, related to prior years' assessments are accounted for in the period in which the final assessments are finalized.

Withholding tax

The Group withholds taxes on transactions with non-resident parties in accordance with applicable ZATCA regulations.

Taxation on foreign subsidiaries

Taxation on foreign subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries operate. Income tax payable on taxable profit ("current tax") is recognized as an expense in the period in which the profits arise in accordance with the fiscal regulations of the respective countries in which the subsidiary operates.

2 Basis of preparation and significant accounting (continued)

2.2 Significant accounting policies (continued)

j) Foreign currency translation

The consolidated financial statements are presented in Saudi Riyals, which is the Company's functional currency and the Group's presentation currency. Each subsidiary in the Group determines its own functional currency (which is the currency of the primary economic environment in which the entity operates), and as a result, items included in the financial statements of each subsidiary are measured using that functional currency. Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of profit or loss and other comprehensive income. The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the Group's presentation currency are translated into the presentation currency as follows: • assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position; • income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions). On consolidation, exchange differences arising from the translation of any net investment in foreign entities, are insignificant.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

k) Dividends on ordinary shares

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Parent Company's shareholders. Dividends for the year that are approved after the consolidated statement of financial position date are disclosed as an event after the consolidated statement of financial position date.

l) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. When assets are sold or retired, i.e. when risks and rewards of ownership are transferred to the buyer, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is recognized in the consolidated statement of profit or loss. If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

Land is not depreciated. Depreciation is computed on a straight-line basis to their residual values over the estimated useful lives of property and equipment as follows and is recognized in the consolidated statement of profit or loss:

	Years
Buildings	40
Motor vehicles	5
Furniture and office equipment	6.67
Tools and equipment	5
Leasehold improvements	The lease term or useful life whichever is shorter

The useful life, residual values and depreciation method are reviewed at each reporting date and adjusted if appropriate to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits arising from items of property and equipment.

2 Basis of preparation and significant accounting (continued)

2.2 Significant accounting policies (continued)

m) Leases

The Group leases real estate represented in warehouses and buildings. The duration of such lease contracts is between one to 5 years and some of these contracts have the option to extend the lease period.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs, and restoration costs.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group uses that rate as a starting point to determine the incremental borrowing rate.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

n) Loans and borrowing costs

Loans are initially calculated at fair value, net of transaction costs incurred. Loans are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the loans using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facilities will be drawn down. In this case, the fees are deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facilities will be drawn down, the fees are amortized over the period of the facilities to which they relate.

2 Basis of preparation and significant accounting (continued)

2.2 Significant accounting policies (continued)

o) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the consolidated statement of profit or loss and other comprehensive income in the period in which the expenditure is incurred.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period, residual value and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected patter of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss and other comprehensive income in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognized.

p) Investments and other financial assets

(i) Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI.

The company reclassifies debt investments when and only when its business model for managing those asssets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2 Basis of preparation and significant accounting (continued)

2.2 Significant accounting policies (continued)

p) Investments and other financial assets (continued)

(iv) Impairment

The Company assesses on a forward-looking basis the expected credit losses associated with its FA instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables

The Company de-recognizes financial liabilities when its contractual obligations are discharged or cancelled, or expire.

The Company also de-recognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in profit or loss.

q) Impairment of financial instruments

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost.

The Company measures loss allowances at an amount equivalent to a credit loss over the lifetime of the debt, except for the following:

- Bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL.

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

The Company assumes that the credit risk on financial assets has increased significantly if it is more than 90 days past due.

The Company considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or

- default of the financial asset for 90 days or more from its maturity date.

Management consider 'low credit risk' for financial assets to be customers with good credit history and no historical default.

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

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

In all cases, the maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

2 Basis of preparation and significant accounting (continued)

2.2 Significant accounting policies (continued)

q) Impairment of financial instruments (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have an adverse effect on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is of impaired credit includes the following observable data:

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract such as default or delinquency for a period of more than 90 days;
- It is becoming probable that the borrower will enter bankruptcy or other financial restructuring; or
- The disappearance of an active market for the security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Write-off

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

r) Inventories

Inventories are presented at the lower of cost or net realizable value. The cost of inventories is based on the weighted average principle. In the case of manufactured inventory materials and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. A provision is made for obsolete and slow moving items when needed.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

s) Impairment of non-financial assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

2 Basis of preparation and significant accounting (continued)

2.2 Significant accounting policies (continued)

s) Impairment of non-financial assets (continued)

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the consolidated statement of profit or loss and other comprehensive income, except for a property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation. Impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGU) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

t) Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents includes cash and bank balances, deposits and other short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities up to three months from the date of acquisition and that are subject to an insignificant risk of change in value.

u) Provisions

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

If the effect of the time value of money is material, provisions are determined by discounting expected future cash flows using a current pre-tax rate that reflects, when appropriate, current market assessments of time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Warranty provisions

Provisions for warranty-related costs are recognised when the product is sold, or service provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is reviewed annually. The Group provides normal warranty provisions for general repairs for two, five and ten years on all its products sold, in line with industry practice. A liability for potential warranty claims is recognised at the time the product is sold. The Group does not provide any extended warranties or maintenance contracts to its customers.

2 Basis of preparation and significant accounting (continued)

2.2 Significant accounting policies (continued)

v) Employees end of service benefits

1- Short term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the year in which the employees render the related service are recognised in respect of employees services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial posision.

2- Defined benefit plans

The Company operates a single employment benefit scheme of defined benefit plan driven by the labour laws and workman laws of the Kingdom of Saudi Arabia which is based on most recent salary and number of service years.

The post-employment benefits plans is not funded. Accordingly, valuations of the obligations under the plan are carried out by an independent actuary based on the estimated unit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits are recognized immediately in profit or loss while unwinding of the liability at discount rates used are recorded in profit or loss. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the other comprehensive income. Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized directly to other comprehensive income and transferred to retained earnings in the statement of changes in equity in the period in which they occur.

Changes in the present value of the defined benefit obligations resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the labour law of Saudi Arabia.

3- Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

w) Segment information

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. The operating segments are used by the management of the Group to allocate resources and assess performance. Operating segments exhibiting similar economic characteristics, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

x) Contingencies

Contingent liabilities are not recognised in the consolidated financial statements, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the consolidated financial statements, but are disclosed when an inflow of economic benefits is probable.

y) Operating profit

Operating profit is the result generated from the continuing principal revenue producing activities of the Group as well as other income and expenses related to operating activities. Operating profit excludes net finance costs, share of profit of investment in associate and income taxes.

3 Significant accounting judgments, estimates and assumptions

Use of estimates and judgements:

The preparation of consolidated financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. The estimates and assumptions that have a risk of causing an adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

a) Provision for slow moving inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

b) Impairment of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables.

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. 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.

c) Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group.

d) Warranty

Provisions for warranty is recorded based on an estimate and the actual cost and timing of future cash flows are dependent on future events. The difference between expectation and the actual future liability is accounted for in the period when such determination is made

e) Customer rebates

Accounting for the amount and timing of recognition of customer rebate require the exercise of judgement. The rebate relates to the customers for achieving agreed purchase or sales targets within a set period. Where rebate span different accounting periods, the amount recognised in each period is estimated based on the probability that the customers will meet contractual target volumes based on historical and forecast performance.

f) Employee benefits

The cost of end of service benefit plans and the present value of end of service benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate,future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation,the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

3 Significant accounting judgments, estimates and assumptions (continued)

g) Employee benefits (continued)

In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based on the basis that they do not represent high quality bonds.

The mortality rate is based on publicly available mortality tables for specific countries. There are no publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates and the management outlook for the respective country.

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

4.1 Property and equipment

The reconciliation of carrying amount is as follows:

	Land	Buildings	Motor vehicles	Furniture and office equipment	Tools and equipment	Leasehold improvements	Total
Cost:							
Balance at 1 January 2020	110,174	120,169	16,536	55,827	17,117	29,522	349,345
Additions	-	506	550	295	45	524	1,920
Disposals	-	-	(196)	(27)	-	-	(223)
Balance at 31 December 2020	110,174	120,675	16,890	56,095	17,162	30,046	351,042
Accumulated depreciation:							
Balance at 1 January 2020	-	31,908	15,140	39,536	13,665	25,802	126,051
Depreciation (note 24)	-	2,870	652	5,510	1,090	2,232	12,354
Disposals	-	-	(196)	(27)	-	-	(223)
Balance at 31 December 2020	-	34,778	15,596	45,019	14,755	28,034	138,182
Net carrying amount							
At 31 December 2020	110,174	85,897	1,294	11,076	2,407	2,012	212,860
Balance at 1 January 2021	**110,174**	**120,675**	**16,890**	**56,095**	**17,162**	**30,046**	**351,042**
Additions	**-**	**103**	**86**	**1,404**	**306**	**761**	**2,660**
Disposals	**(7,049)**	**-**	**(2,224)**	**(2,451)**	**(6)**	**(1,373)**	**(13,103)**
Balance at 31 December 2021	**103,125**	**120,778**	**14,752**	**55,048**	**17,462**	**29,434**	**340,599**
Accumulated depreciation:							
Balance at 1 January 2021	**-**	**34,778**	**15,596**	**45,019**	**14,755**	**28,034**	**138,182**
Depreciation (note 24)	**-**	**3,087**	**571**	**5,069**	**429**	**1,465**	**10,621**
Disposals	**-**	**-**	**(2,167)**	**(2,286)**	**(4)**	**(1,092)**	**(5,549)**
Balance at 31 December 2021	**-**	**37,865**	**14,000**	**47,802**	**15,180**	**28,407**	**143,254**
Net carrying amount							
At 31 December 2021	**103,125**	**82,913**	**752**	**7,246**	**2,282**	**1,027**	**197,345**

4.1 Property and equipment (continued)

(a) *Guarantee*

As at December 31, 2021 and December 31, 2020, the Group had several plots of land of SR 79 million pledged as bank loans guarantee.

(b) *Key estimates: estimate of useful lives of properties and equipment*

Note 2.2 shows the estimated useful lives of property and equipment, which vary according to their nature and usage methods. The actual useful life may be shorter or longer. Management revises its estimates of these useful lives and adjusts them as appropriate.

4.2 Leases

The Group leases real estate represented by warehouses and buildings. The duration of such lease contracts is between 1 to 5 years and some of these contracts have the option to extend the lease period.

The following table shows the balance of the right-of-use leased assets and the related lease liabilities in the statement of financial position:

	December 31, 2021	December 31, 2020
Cost - Right-of-use assets		
Building	**8,921**	**8,631**
Warehouses	**20,031**	**17,579**
	28,952	**26,210**
Accumulated depreciation - Right-of-use assets		
Building	**5,726**	5,149
Warehouses	**14,747**	9,724
	20,473	14,873
Net carrying amount	**8,479**	11,337

	December 31, 2021	December 31, 2020
Lease liabilities- current		
Building	**1,231**	619
Warehouses	**2,136**	4,398
	3,367	5,017
Lease liabilities- non-current		
Building	**1,580**	3,159
Warehouses	**2,060**	2,521
	3,640	5,680

The following table shows the movement during the year in lease liabilities:

	Year ended December 31, 2021	Year ended December 31, 2020
Balance at the beginning of the year	**10,697**	14,912
Additions during the year	**5,983**	3,259
Interest during the year (note 25)	**495**	782
Termination during the year	**(2,686)**	-
Payment during the year	**(7,482)**	(8,256)
Balance at end of the year	**7,007**	10,697

4.2 Leases (continued)

The following table shows the movement during the year in the right-of-use assets:

	Year ended December 31, 2021	Year ended December 31, 2020
Cost		
Balance, at beginning of year	**26,210**	22,951
Additions for the year	**5,983**	3,259
Disposals in the year –termination	**(3,241)**	-
	28,952	26,210
Accumulated depreciation		
Balance, at beginning of year	**14,873**	7,123
Depreciation charge for the year (note 23)	**6,775**	7,750
Disposals in the year - termination	**(1,175)**	-
	20,473	14,873
Net book value as at year end	**8,479**	11,337

During the year 2021, the Group terminated one lease contract for warehouses. The financial impact on the right-of-use assets was a drop of SR 2,066 and a drop in lease liability of SR 2,686 as of December 31, 2021 with a gain on termination of SR 620.

The statement of profit or loss and other comprehensive income shows the following amounts relating to leases:

	2021	2020
Depreciation charge of right-of-use assets (note 23)	**6,775**	7,750
Interest expense (included in finance charges (note 25)	**495**	782
Expense relating to short-term leases (note 23 & 24)	**3,256**	4,546
Total	**10,526**	13,078

Total cash outflow for the year ended December 31, 2021 amounted to SR 7,482 (SR 8,256 for the year ended December 31, 2020)

The following table shows the depreciation charge of the right-of-use leased assets in the statement of profit or loss:

	December 31, 2021	December 31, 2020
Depreciation charge for the year		
Building	**1,751**	2,711
Warehouses	**5,024**	5,039
	6,775	7,750

Key estimates: estimate of incremental borrowing rate, lease term

The application of IFRS16 requires management to exercise certain judgments, such as determining the incremental borrowing rate, which is one of the main inputs to the calculation of the right to use assets, therefore, management contacted some of its banks to provide them with commission rates on loans with similar values for lease contracts subject to the requirements of this accounting standard and for periods of time approximate to these contracts as well. In the opinion of management, the interest rate quotations submitted by the banks take into account the credit rating of the Company and the risks of the sector in which the Company operates, and therefore no adjustment has been made to the rates of these bank commissions.

If the incremental borrowing rate changes by 1%, this will cause an increase (decrease) in the right -of- use assets by SR 51 and SR (53) respectively. With regard to the judgments related to determining the lease term, most of the lease contracts are fixed-term. In the event that an extension option is available, management relies on historical experience and other factors, including facts and circumstances that create an economic incentive to exercise the extension option or not exercise a termination option.

Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

5 Intangible assets

	31 December 2021	31 December 2020
Intangible assets (Note 5.1)		
Energy Management Services Emirates LLC	1,240	1,652
New Vision for Electronics and Electrical Appliances Company	916	1,278
	2,156	2,930
Goodwill (Notes 5.1 & 5.2)		
ASDAA Gulf Trading Company (ASDAA)	9,854	9,854
	12,010	12,784

Effective 12 November 2014, HGISC acquired effectively 100% shareholding in ASDAA for a purchase consideration of SR 20 million, which was in excess of the fair value of the net assets acquired by SR 9.9 million and has been recorded as goodwill.

5.1 reconciliation of the carrying amounts of intangible assets is as follows:

	Intangible assets	Goodwill	Total
Cost			
As at 1 January 2020	5,574	9,854	15,428
Additions	-	-	-
As at 31 December 2020	5,574	9,854	15,428
Additions	-	-	-
As at 31 December 2021	**5,574**	**9,854**	**15,428**
Accumulated amortization:			
As at 1 January 2020	2,032	-	2,032
Charge for the year	612	-	612
As at 31 December 2020	2,644	-	2,644
Charge for the year	774	-	774
As at 31 December 2021	**3,418**	-	**3,418**
Net carrying amount:			
As at 31 December 2021	**2,156**	**9,854**	**12,010**
As at 31December2020	2,930	9,854	12,784

5.2 Goodwill - ASDAA Gulf Trading Company:

The recoverable amount of this CGU is estimated using discounted cash flows.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

	2021	2020
Discount rate	14.0%	12.30%
Terminal value growth rate	3.0%	2.60%
Budgeted EBITDA growth rate (average of next five years)	5%	4%

	31 December 2021		31 December 2020	
Particulars	**CGU Recoverable amount "In Millions"**	**% Change**	**CGU Recoverable amount "In Millions"**	**% Change**
+1% Discount rate	**29**	**(9%)**	51	(9%)
-1% Discount rate	**35**	**9%**	63	13%
+1% Terminal value growth rate	**34**	**6%**	57	2%
-1% Terminal value growth rate	**30**	**(6%)**	56	0%
+1% Budgeted EBITDA growth rate	**33**	**3%**	57	2%
-1% Budgeted EBITDA growth rate	**31**	**(3%)**	55	(2%)

The discount rate was a pre-tax measure estimated based on the historical industry average weighted average cost of capital.

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter.

None of the above changes would result in an impairment on the CGU level including the recorded goodwill.

5 Intangible assets (continued)

5.2 Goodwill - ASDAA Gulf Trading Company: (continued)

The terminal growth rate was determined based on management's estimate of the long-term compound annual EBITDA growth rate, consistent with the assumptions that a market participant would make.

Budgeted EBITDA was estimated taking into account past experience. Revenue growth was projected taking into account the average growth levels experienced over the past five years and the estimated sales volume and price growth for the next five years. It was assumed that the sales price would increase in line with forecast inflation over the next five years.

The estimated recoverable amount of the CGU exceeded it carrying value by SAR 32 million (2020: SAR 34 million).

6 Trade and other receivables

	31 December 2021	31 December 2020
Trade receivables	**496,365**	453,584
Prior year adjustments (note 32)	**-**	(28,640)
Adjusted trade receivable balance	**496,365**	424,944
Less: Impairment losses on trade receivables	**(113,433)**	(98,751)
	382,932	326,193
Other receivables:		
Advertisement claims from suppliers	**2,925**	6,982
Custom duty deposit	**5,956**	5,956
Impairment losses on other receivables	**(5,956)**	(5,956)
	385,857	333,175
Current	**372,572**	321,891
Non- current	**13,285**	11,284
	385,857	333,175

Reconciliation of impairment losses on trade receivables is as follow:

	31 December 2021	31 December 2020
Balance at beginning of year	**98,751**	80,973
Charge for the year	**15,734**	17,778
Write-off	**(1,052)**	-
Balance at end of year	**113,433**	98,751

As of December 31, 2021, there was one customer balance amounting to SR 14.3 million (December 31, 2020: SR 14.3 million) outstanding for more than 2 years and under litigation proceedings. Henceforth, the management assessed the recoverability of the customer balance individually. Accordingly, the management, based on their judgment and best estimate, recognized the expected credit loss amounted to SR 2.1 million. The loss rate is 15% against the respective balance. The maximum remaining exposure as of the reporting date was SR 12.2 million, however management believes that adequate level of provision was recognized to cover the expected credit losses.

7 Investment in an associate

The details of the group's investment in associate is as follows:

Name of Company	Principal activities	Country of incorporation	Effective interest at 31 December 2021	Effective interest at 31 December 2020
LG Shaker Company Limited ("LG Shaker")	Manufacture of air conditioners	Saudi Arabia	**49%**	49%

7 Investment in an associate (continued)

Investments in an associate is as follows:

	31 December 2021	31 December 2020
LG Shaker (Note 7.1)	**442,395**	419,154

Reconciliations for the investment in an associate are as follows:

	LG Shaker
At 1 January 2021	**419,154**
Share of profit for the year	**23,241**
Dividend	**-**
At 31 December 2021	**442,395**
At 1 January 2020	457,128
Prior year adjustment (note 32)	(13,321)
At 1 January 2020 as restated	443,807
Share of profit for the year	24,347
Dividend	(49,000)
At 31 December 2020	419,154

No dividends have been received from the associate during the year ended December 31, 2021 (2020: a dividend of SR 49 million was received by the Group on 19 November 2020).

7.1 LG Shaker

LG Shaker is a mixed limited liability company registered in the Kingdom of Saudi Arabia under the commercial registration number 1010226606 Dated 4 Dhul Hijah 1427H (corresponding to 25 December 2006). The principal activity of the Company is to manufacture various types of air conditioners.

The following table summarizes the financial information of a material associate - LG Shaker as included in its own financial statements. The table also reconciles the summarized financial information to the carrying amount of the Group's interest in the associate.

Balance as at	31 December 2021	31 December 2020
Non- current assets	**102,888**	99,130
Current assets	**286,757**	249,908
Non- current liabilities	**(9,106)**	(7,800)
Current liabilities	**(102,541)**	(106,506)
Net assets (100%)	**277,998**	234,732
Group's share of net assets (49%)	**130,411**	107,170
Goodwill	**311,984**	311,984
Carrying amount of interest in associate	**442,395**	419,154

	31 December 2021	31 December 2020
Revenue	**397,988**	328,618
Total comprehensive income (100%) (*)	**43,267**	50,652
Group share of total comprehensive income (49%) (*)	**23,241**	24,347

(*) The difference between the Group's share in net assets of the associate and share of total comprehensive income and 49% of associate reported net assets and total comprehensive income pertains to the adjustment made for the elimination of unrealised profit on upstream transactions between the Group and its associate.

The recoverable amount of this equity-accounted investee is estimated using discounted cash flows. The fair value measurement was categorized as a level 3 fair value based on the inputs in the valuation technique used.

7 Investment in an associate (continued)

7.1 LG Shaker (continued)

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

	2021	2020
Discount rate	14.00%	13.50%
Terminal value growth rate	3.00%	2.60%
Budgeted EBITDA growth rate (average of next five years)	20%	20%

	31 December 2021		31 December 2020	
Particulars	**Investment Recoverable amount "In Millions"**	**% Change**	**Investment Recoverable amount "In Millions"**	**% Change**
+1% Discount rate	**485**	**(8%)**	489	(9%)
-1% Discount rate	**578**	**10%**	591	10%
+1% Terminal value growth rate	**561**	**6%**	572	7%
-1% Terminal value growth rate	**499**	**(5%)**	504	(6%)
+1% Budgeted EBITDA growth rate	**552**	**5%**	560	5%
-1% Budgeted EBITDA growth rate	**502**	**(5%)**	510	(5%)

The management of the Group has assessed in detail the carrying value of LG Shaker as at 31 December 2021. These were based on certain detailed assumptions and management plans. Management expects these plans continue to support the carrying value of the investee, although this will be dependent on the success of the plans and the continued improvement in the wider economic conditions in Saudi Arabia. Management will continue to monitor the detailed assumptions against these plans in their future impairment reviews.

8 Inventories

	31 December 2021	31 December 2020
Finished goods	**328,780**	244,535
Spare parts	**50,900**	66,450
Goods in transit	**16,851**	26,990
	396,531	337,975
Impairment losses on inventories	**(46,572)**	(41,914)
	349,959	296,061

Reconciliation of the impairment losses on inventories is as follows:

	31 December 2021	31 December 2020
Balance at beginning of year	**41,914**	28,453
Charge for the year (note 21)	**6,114**	13,529
Utilized during the year	**(1,456)**	(68)
Balance at end of year	**46,572**	41,914

a) At 31 December 2020, the Group has outstanding bank guarantees of SAR 38.7 million (31 December 2020: SAR 37 million) issued by local and foreign banks in respect of import of finished goods and other supplies.

b) At 31 December 2021, the Group has outstanding bank letter of credits of SAR 1,655 million (31 December 2020: SAR 41 million) issued against import of finished goods and other supplies.

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)

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

9 Prepayments and other debt balances

	31 December 2021	31 December 2020
Advances		
Advances to suppliers	22,510	17,241
Other advances	6,772	3,943
Total advances	29,282	21,184
Prepaid expenses	10,725	9131
	40,007	30,315

10 Cash and cash equivalent

	31 December 2021	31 December 2020
Cash in hand	1,272	17,339
Bank balances - current account	51,748	62,567
Cash and cash equivalents in the statement of financial position and statement of cash flows	53,020	79,906

11 Share capital

	31 December 2021	31 December 2020
Authorized share capital (shares of SR 10 each)	630,000	630,000
Issued and fully paid-up capital (shares of SR 10 each)	630,000	630,000

At 31 December 2021, the authorized, issued, and paid-up share capital of the Company is SAR 630 million consisting of 63 million shares of SAR 10 each.

12 Statutory reserve

The new Saudi Arabian Regulations for Companies issued on 25 Rajab 1437H (corresponding to 2 May 2016) requires companies to set aside 10% of its net income in each year to a statutory reserve until such reserve reaches 30% of the share capital. The Company completed legal formalities on 26 April 2019 with regard to the amendment of its Bylaws. This reserve is currently not available for distribution to the shareholders of the Company. Due to the accumulated losses position as at 31 December 2020, no such transfer was required as at the current reporting date.

13 Non-controlling interest

31 December 2021	NVEEAC	EMS	Intra group Adjustments	Total
NCI percentage	40%	26%	-	
Non- current assets	30,268	60	-	30,328
Current assets	58,666	17,418	-	76,084
Non- current liabilities	48,189	22,592	-	70,781
Current liabilities	1,189	3,551	-	4,740
Net assets	39,556	(8,665)	-	30,891
Net assets attributable to NCI	15,822	(2,172)	-	13,650
Revenue	81,876	1,831	-	83,707
Profit / (loss)	3,789	(3,780)	-	9
OCI	-	170	-	170
Total comprehensive(loss) / income	3,789	(3,610)	-	179
Profit / (loss) allocated to NCI	1,516	(983)	-	533
OCI allocated to NCI	-	44	-	44
Cash flows used in operating activities	10,276	(9,244)	-	1,032
Cash flows generated from /(used in) investing activities	93	(10)	-	83
			-	
Cash flows used in financing activities (dividends to NCI: nil)	(12,411)	(5,148)	-	(17,559)
Net decrease in cash and cash equivalents	(2,042)	(14,402)	-	(16,444)

13 Non-controlling interest (continued)

31 December 2020	NVEEAC	EMS	Intra group Adjustments	Total
NCI percentage	40%	26%		
Non- current assets	31,480	70	-	31,550
Current assets	65,883	59,575	-	125,458
Non- current liabilities	(2,187)	(5,525)	-	(7,712)
Current liabilities	(59,410)	(30,536)	-	(89,946)
Net assets	35,766	23,584	-	59,350
Net assets attributable to NCI	14,307	6,212	-	20,519
Prior year adjustment (note 32)	-	(7,446)	-	(7,446)
Adjusted net assets attributable to NCI	14,307	(1,234)	-	13,073

31 December 2020	NVEEAC	EMS	Intra group Adjustments	Total
Revenue	69,872	3,127	-	72,999
(loss) / Profit	(1,440)	4,512	-	3,072
OCI		(41)	-	(41)
Total comprehensive(loss) / income	(1,440)	4,471	-	3,031
(loss) / Profit allocated to NCI	(576)	1,173	-	597
OCI allocated to NCI	-	(11)	-	(11)
Cash flows used in operating activities	4,607	33,257	-	37,864
Cash flows used in investment activities	(100)	(7)	-	(107)
			-	
Cash flows used in financing activities (dividends to NCI: nil)	(1,927)	(2,874)	-	(4,801)
Net decrease in cash and cash equivalents	2,580	30,376	-	32,956

14 Loans and borrowings

The Group has credit facility agreements with local and foreign commercial banks for long and short term borrowings in Saudi Riyal, US Dollar, United Arab Emirates Dirham and Jordanian Dinar. Such facilities were obtained principally under Murabaha/Tawarruq arrangements. The utilized portion of the long-term facilities are repayable on equal monthly instalments ranging between four to six years. Certain facility agreements are secured against promissory notes and pledge of certain building of the Group, Corporate guarantees of the Group are provided wherever required for loans to subsidiaries. The facilities bear financial charges on prevailing market rates. The agreements contain certain covenants, which among other things, requires certain financial ratios to be maintained.

	31 December 2021	31 December 2020
Current:		
Lease Liability (note 4.2)	**3,367**	5,017
Bank loans	**409,127**	273,211
	412,494	278,228
Non- current:		
Lease Liability (note 4.2)	**3,640**	5,680
Bank loans	**70,963**	104,256
	74,603	109,936

Secured liabilities and assets pledged as security

All bank loans are secured by promissory notes signed by the parent Company equal to the maximum facility amount. Promissory notes amounted to SR 971 million as at December 31, 2021 (December 31, 2020: SR 530 million).

As at December 31, 2021 and December 31, 2020, the Group had several land plots of SR 79 million pledged as bank loans guarantee.

Compliance with loan covenants

Under the terms of the loans agreements, the Group is required to commit to certain levels for the following financial covenants:

1- Financial leverage ratio,
2- Current ratio,
3- Gearing ratio (Debt to equity not to exceed 1.5:1).
4- Ratio of total liabilities and tangible net worth.

14 Loans and borrowings (continued)

The Group complied with all financial covenants as of December 31, 2021 and 2020.

The following bank loans are outstanding as at:

	Currency	Nominal interest rate	Year of maturity	31 December 2021 Face value	31 December 2021 Carrying amount	31 December 2020 Face value	31 December 2020 Carrying amount
Kingdom of Saudi Arabia	SAR	2.8% - 4.25% per annum	2022-2025	**936,000**	**475,213**	362,935	314,696
	USD	2.7% - 2.8% per annum	2021	-	-	50,302	50,302
United Arab Emirates	AED	month EIBOR + 4% per annum (min of 4.5%)	2021	-	-	22,373	5,148
Jordan	USD	LIBOR + 3.8% per annum	2022	**35,625**	**4,877**	93,750	7,321
					480,090		377,467

Reconciliation of bank loans are as follows:

	2021	2020
Balance as at 1 January	**377,467**	367,182
Proceeds		
Kingdom of Saudi Arabia	1,542,477	836,178
Jordan	4,432	-
	1,546,909	836,178
Repayments		
Kingdom of Saudi Arabia	(1,440,092)	(802,400)
United Arab Emirates	-	(1,603)
Jordan	(4,194)	(21,890)
	(1,444,286)	(825,893)
Balance as at 31 December	480,090	377,467

Reconciliation of movement of liabilities to cash flows arising from financing

	Cash and cash equivalents	Loans	Lease Liabilities	Total
Balance as 1 January 2021	**79,906**	**377,467**	**10,697**	**468,070**
Non-cash transactions				
Finance expenses	-	16,828	495	17,323
Addition of lease liabilities	-	-	5,983	5,983
Termination of lease liabilities	-	-	(2,686)	(2,686)
Net non-cash flow transaction	**-**	**16,828**	**3,792**	**20,620**
Cash flow transaction				
Proceeds from loans and borrowings	-	1,546,909	-	1,546,909
Payment of loans and borrowings	-	(1,444,286)	-	(1,444,286)
Payment of finance cost	-	(16,828)	-	(16,828)
Lease payments	-	-	(7,482)	(7,482)
Change in cash and cash equivalents	(24,484)	-	-	(24,484)
Net cash flow	**(24,484)**	**85,795**	**(7,482)**	**53,829**
Balance as 31 December 2021	55,422	480,090	7,007	542,519

14 Loans and borrowings (continued)

	Cash and cash equivalents	Loans	Lease Liabilities	Total
Balance as 1 January 2020	63,752	367,182	14,912	445,846
Non-cash transactions				
Finance expenses	-	17,987	782	18,769
Addition of lease liabilities	-	-	3,259	3,259
Net non-cash flow transaction	-	17,987	4,041	22,028
Cash flow transaction				
Proceeds from loans and borrowings	-	836,178	-	836,178
Payment of loans and borrowings	-	(825,893)	-	(825,893)
Payment of finance cost	-	(17,987)	-	(17,987)
Lease payments	-	-	(8,256)	(8,256)
Change in cash and cash equivalents	16,154	-	-	16,154
Net cash flow	16,154	(7,702)	(8,256)	196
Balance as 31 December 2020	79,906	377,467	10,697	468,070

15 Employee Benefits obligation

	31 December 2021	31 December 2020
Net defined benefit liability	22,527	25,070

The Group operates an approved unfunded employees' end of service benefits plan ("EOSB) for its employees as required by the local Labor Law.

a. In Kingdom of Saudi Arabia (KSA), the plan entitles an employee who completed over two but less than five years of service, to receive a payment equal to one-third of their last month half salary for each completed year of service. Similarly, an employee who completed up to five years to receive a payment equal to 50% of their last monthly salary for each completed year of service and over five but less than ten years of service, to receive a payment equal to two-thirds of their last monthly salary for each completed year of service. Further, an employee who completed over ten years of service, to receive a payment equal to their last monthly salary for each completed year of service

b. In United Arab Emirates (UAE), the plan entitles an employee who completed over one year but less than three years of service, to receive a payment equal to one-third of their last month salary for each completed year of service. Similarly, an employee who completed over three years but less than five years of service, to receive a payment equal to two-thirds of their last monthly salary for each completed year of service. Further, an employee who completed over five years of service, to receive a payment equal to their last monthly salary for each completed year of service.

Reconciliation in employees end of service benefits is as follows:

	31 December 2021	31 December 2020
Balance at beginning of year	**25,070**	24,121
Included in Profit and Loss		
Current service cost	**2,351**	2,535
Interest cost	**589**	889
	2,940	3,424
Included in Other comprehensive income		
Actuarial (gain)/ loss	**(175)**	1,553
Benefit paid	**(5,308)**	(4,028)
Balance at end of year	**22,527**	25,070
Represented by:		
Net defined benefit liability for plans in:		
-Kingdom of Saudi Arabia	**18,976**	21,489
-United Arab Emirates	**3,551**	3,581
	22,527	25,070

15 Employee Benefits obligation (continued)

Actuarial assumptions

The following are the principal actuarial assumptions applied at 31 December 2021 and 31 December 2020:

	31 December 2021		31 December 2020	
	KSA	UAE	KSA	UAE
Discount rate	2.40% p.a.	1.75% p.a.	2.50 % p. a	1.5 % p. a.
Salary increase	1 % p. a.	1.75% p.a.	1 % p. a	1.5 % p. a.
Average years of past service	7.30 years	13.00 years	7.80 years	12.80 years

Sensitivity analysis

	31 December 2021		31 December 2020	
Particulars	**PVDBQ**	**% Change**	**PVDBQ**	**% Change**
EOSB liability	**22,527**		25,070	
+ 1% Discount rate	**(744)**	**-3.30%**	(831)	-3.31%
- 1% Discount rate	**804**	**3.57%**	903	3.60%
+ 1% Salary increase rate	**797**	**3.54%**	892	3.56%
1% Salary increase rate	**(736)**	**-3.27%**	(845)	-3.37%
1 Year mortality age set back	**(152)**	**-0.67%**	(172)	-0.69%
1 Year mortality age set forward	**171**	**0.76%**	193	0.77%

PVDBO: Present value of defined benefit obligations

Employee benefit expenses

	31 December 2021	31 December 2020
Salaries and benefits	77,983	79,743
Social security contributions	2,424	2,543
Expenses related to post - employment defined benefit plans	2,940	3,424
Expenses related to paid leaves	-	2,432
	83,347	88,142

The weighted average duration of the defined benefit obligation is 5.75 years (December 31, 2020: 5.7 years). The expected maturity analysis is as follows:

	Less than one year	1–2 years	2-5 years	Over 5 years	Total
December 31, 2021	**7,780**	**4,023**	**6,035**	**7,258**	**25,096**
December 31, 2020	7,735	3,884	6,726	7,213	25,558

16 Trade and other payables

	31 December 2021	31 December 2020
Trade payables due to related parties (note 28)	**147,750**	165,141
Trade payables - third party	**89,143**	82,294
Total trade payables	**236,893**	247,435
Accrued expenses	**21,742**	40,816
Employee benefits	**10,780**	14,397
Contract liabilities-advance from customers	**15,838**	6,482
Accrued cost for vendors	**7,115**	17,267
Other payables	**31,993**	16,308
Total other payables	**87,468**	95,270
Total trade and other payables	**324,361**	342,705

17 Zakat and other foreign income tax liabilities

a) Zakat provision

Movement of Company's Zakat provision for the year ended 31 December comprise the following:

	2021	2020
Balance, beginning of the year	**19,370**	15,691
Current year expense	**13,420**	6,740
Paid during the year	**(26,447)**	(3,061)
Balance, end of the year	**6,343**	19,370

b) Status of assessments

Zakat

Standalone:

Zakat assessments have been finalized with the Zakat, Tax and Customs Authority (ZATCA) up to the year ended 31 December 2006 for HGISC and 31 December 2007 for ISCL and IHSCL and 31 December 2011 for ASDAA

Consolidated:

The Company filed Zakat declarations on a consolidated basis from the year 2008 onwards for HGISC, ISC and HSCL. The results of ASDAA were reported in the consolidated declaration from 13 November 2014.

The Group submitted its zakat returns for the years up to 2020 to the Zakat, Tax and Customs Authority (ZATCA). Moreover, the Group's zakat returns for the years 2015 to 2018 were finalized and the related liabilities were paid during the year. The assessment related to the financial years of 2014 was finalized and initially resulted in an additional zakat amount of SAR 4.8 million which has been appealed by the Group. The assessment related to the financial years of 2019 and 2020 has been started during the year and it is still under review by the Authority. The Group's management believes that the current level of Zakat provision is sufficient.

Foreign Income Tax

Due to taxable losses in Jordan subsidiary. NVEEAC there is no foreign income tax liability.

18 Warranty provision

A provision is recognized for expected warranty claims on products sold for which the Company is liable to cover warranty. It is expected all these costs will be incurred within two to ten years after the reporting date. Assumptions used to calculate the provision for warranties are based on product sales, date of sale, warranty period, and estimated level of repairs and warranty costs. The estimate has been made based on historical warranty trend. Movement for warranty provision is as follows

The movement in provisions is as follows:

	31 December 2021	31 December 2020
Balance, beginning of the year	**11,829**	11,770
Charge for the year	**4,600**	4,055
Utilized during the year	**(4,270)**	(3,996)
Balance, end of the year	**12,159**	11,829

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

18 Warranty Provision (continued)

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. Where the effect of time value of money is material, the amount recognized is the present value of the estimated expenditures.

Provisions for warranty are recognized at the date of sale of the products covered by the warranty and are calculated based on historical data for similar products. warranty is normally granted for 2 to 10 years after the sale. Warranty provision is recognised to cover the cost of repair of defective products.

Provision related to warranties created as per Group's policy for the purpose of repair or replacements of defected goods.

19 Operating segments

For management purposes, the Group is organized into three main business segments based on internal reporting provided to the chief operating decision maker

Heating, ventilation, and air-conditioning solutions (HVAC): Represents residential and commercially conditioners including chillers and related services

Home appliances: Represents televisions, washing machines, dryers, refrigerators, irons, gas cookers, and floor care

All other segments represent consultancy services for energy solutions and sale mobile phones.

The Executive Management Committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessments.

CoDM uses segments Profit Before Tax (PBT) to measure performance being the most relevant in evaluating the results of segments.

Transfer prices between operating segments are on mutually agreed terms in a manner similar to transactions with third parties.

AL HASSAN GHAZI IBRAHIM SHAKER COMPANY
(A Saudi Joint Stock Company)

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

19 Operating segments (continued)

Segment information provided to the board of directors:

The table below shows the segment information provided to the board of directors for the reportable segments for the year ended December 31, 2021 and also the basis on which revenue is recognised:

For the year ended December 31, 2021	HVAC Solutions	Home Appliances	Total reportable segments	All other segments,	Adjustments and eliminations	Total
Revenues from external customers	605,705	475,624	1,081,329	5,116	-	1,086,445
Cost of sales	(466,646)	(379,931)	(846,577)	(4,346)	-	(850,923)
Gross profit	139,059	95,693	234,752	770	-	235,522
General and administrative expenses	(53,266)	(26,917)	(80,183)	(3,735)	-	(83,918)
Selling and distribution expenses	(60,564)	(40,074)	(100,638)	(436)	-	(101,074)
Impairment loss on trade and other receivables	(9,996)	(5,442)	(15,438)	(296)	-	(15,734)
Other income	2,163	173	2,336	115	-	2,451
Income from operations	17,396	23,433	40,829	(3,582)	-	37,247
Finance costs	(16,523)	(755)	(17,278)	(45)	-	(17,323)
Other expenses -Foreign exchange loss	(2,108)	319	(1,789)	-	-	(1,789)
Share of Profit from an associate	23,241	-	23,241	-	-	23,241
Segments (loss)/profit before zakat and foreign income tax	22,006	22,997	45,003	(3,627)	-	41,376
Zakat and foreign income tax	(7,641)	(5,779)	(13,420)	-	-	(13,420)
Profit / (loss) for the year	14,365	17,218	31,583	(3,627)	-	27,956

19 Segment reporting (continued)

For the year ended December 31, 2020	HVAC Solutions	Home appliances	Total reportable segments	All other segments,	Adjustments and eliminations	Total
Revenues from external customers	539,688	382,671	922,359	10,340	-	932,699
Cost of sales	(438,791)	(291,254)	(730,045)	(7,094)	-	(737,139)
Gross profit	100,897	91,417	192,314	3,246	-	195,560
General and administrative expenses	(49,442)	(24,105)	(73,547)	(11,082)	-	(84,629)
Selling and distribution expenses	(55,067)	(36,505)	(91,572)	(3,995)	-	(95,567)
Impairment loss on trade and other receivables	(15,144)	(6,690)	(21,834)	4,056	-	(17,778)
Other income	1,024	45	1,069	13,436	-	14,505
Income from operations	(17,732)	24,162	6,430	5,661	-	12,091
Finance costs	(16,546)	(965)	(17,511)	(1,258)	-	(18,769)
Other expenses -Foreign exchange loss	(1,336)	(1,570)	(2,906)	-	-	(2,906)
Share of Profit from an associate	24,327	-	24,327	-	-	24,327
Segments (loss)/profit before zakat and foreign income tax	(11,287)	21,627	10,340	4,403	-	14,743
Zakat and foreign income tax	(3,740)	(3,000)	(6,740)	-	-	(6,740)
Profit / (loss) for the year	(15,027)	18,627	3,600	4,403	-	8,003

2021	HVAC solutions	Home appliances	Total reportable segments	All other segments,	Adjustments and eliminations	Total
Reportable segment assets	**1,462,031**	**580,302**	**2,042,332**	**21,046**	**(574,306)**	**1,489,072**
Additions to property,	**2,570**	**72**	**2,642**	**18**	**-**	**2,660**

2020	HVAC solutions	Home appliances	Total reportable segments	All other segments,	Adjustments and eliminations	Total
Reportable segment assets	1,370,647	475,328	1,845,975	69,697	(520,080)	1,395,592
Additions to property,	1,913	-	1,913	7	-	1,920

2021	HVAC solutions	Home appliances	Total reportable segments	All other segments,	Adjustments and eliminations	Total
Total segment a liabilities	**782,101**	**268,418**	**1,050,519**	**28,123**	**(226,156)**	**852,486**

2020	HVAC Solutions	Home appliances	Total reportable segments	All other segments,	Adjustments and eliminations	Total
Total segment a liabilities	750,119	181,655	931,774	42,419	(187,055)	787,138

Adjustments and eliminations represent intercompany transactions and consolidation elimination entries transactions and the intercompany transactions are mainly related to financing transactions.

The non-current assets are geographically located in KSA by 97% as at December 31, 2021 and 2020 and in Jordan by 3% as at December 31, 2021 and 2020.

20 Revenue

The Group's revenue is derived from contracts with customers for sale of goods and rendering of services.

Revenues from sale of goods are satisfied at a point in time when the products are sold to and accepted by customers. Service revenues are recognized overtime.

For the year ended 31 December 2021	**HVAC Solutions**	**Home appliances**	**All other segments**	**Total**
Revenue From sales of goods				
Saudi Arabia	**569,357**	**408,498**	**-**	**977,855**
Jordan	**11,465**	**67,126**	**3,285**	**81,876**
Revenue From rendering services				
Saudi Arabia	**24,883**	**-**	**-**	**24,883**
UAE	**-**	**-**	**1,831**	**1,831**
Total	**605,705**	**475,624**	**5,116**	**1,086,445**

For the year ended 31 December 2020	**HVAC solutions**	**Home appliances**	**All other segments**	**Total**
Revenue From sales of goods				
Saudi Arabia	512,912	329,129	-	842,041
Jordan	9,117	53,542	7,213	69,872
Revenue From rendering services				
Saudi Arabia	17,660	-	-	17,660
UAE	-	-	3,126	3,126
Total	539,689	382,671	10,339	932,699

21 Cost of sales

	31 December 2021	**31 December 2020**
Material cost	**805,431**	701,433
Installation cost	**14,887**	9,260
Impairment losses on inventories (note 8)	**6,114**	13,529
Others	**24,491**	12,917
	850,923	737,139

22 Other income

Other income for the year ended 31 December comprise the following:

	31 December 2021	**31 December 2020**
Income on award of legal matter (refer note 22.1 below)	**-**	13,430
Gain on disposal of property and equipment	**401**	35
Others	**2,050**	1,040
	2,451	14,505

22.1 **During the year 2020, the Group through one of its subsidiaries (EMS) was able to enter into a settlement agreement in relation to an ongoing litigation with a customer. As a result the Company received a settlement amount in respect of its claims. The amount recorded in 2020 also included amounts for recovery of legal costs.**

23 Selling and distribution expenses

Selling and distribution expenses for the year ended 31 December comprise the following:

	31 December 2021	31 December 2020
Employee costs	**49,149**	47,481
Dealer promotional incentives	**12,124**	11,395
Publicity and advertising	**7,889**	6,695
Sales commission	**8,819**	5,821
Depreciation on ROU asset (note 4.2)	**6,775**	7,750
Transportation	**3,404**	4260
Warranty expenses	**4,402**	3,856
Rent	**1,443**	1,675
Utilities	**602**	457
Printing and stationery	**573**	382
Repairs and maintenance	**400**	238
Insurance	**322**	194
Materials and installations	**677**	159
Others	**4,495**	5,204
	101,074	95,567

24 General andAdministrative expenses

General and administrative expenses for the year ended 31 December comprise the following:

	31 December 2021	31 December 2020
Employee costs	**35,896**	39,745
Depreciation (note 4.1)	**10,621**	12,354
Professional fees	**9,795**	7,494
Travel	**8,073**	6,041
Rent	**1,813**	2,871
Repairs and maintenance	**1,995**	1,776
Insurance	**1,939**	1,226
Utilities	**1,487**	1,216
Communication	**1,321**	809
Printing and stationery	**629**	738
Entertainment	**19**	24
External Labor	**5,767**	3,009
Others	**4,563**	7,326
	83,918	84,629

25 Finance cost

Finance costs, net for the year ended 31 December comprise the following:

	31 December 2021	31 December 2020
Finance charges	**15,306**	14,897
Bank charges	**1,522**	3,090
Interest on lease liabilities (note 4.2)	**495**	782
	17,323	18,769

26 Basic and diluted earnings per share

Basic and diluted earnings per share amounts are calculated by dividing the earnings for the year ended attributable to shareholders of the Parent Company by the weighted average number of ordinary shares outstanding, as follows:

	31 December 2021	31 December 2020 (Restated)
Earnings attributable to ordinary shareholders	27,423	7,426
	Shares	**Shares**
Weighted average number of ordinary shares outstanding during the year	63,000	63,000
Basic and diluted earnings per share	0.44	0.12

27 Financial instruments – fair values

This note provides information about the Group's financial instruments, including:

- An overview of all financial instruments held by the Group;
- Specific information about each type of financial instruments.

Financial assets

Financial assets are measured at amortized cost, fair value through profit or loss ("FVTPL"), or fair value through other comprehensive income ("FVOCI"). The decision to classify these financial assets into appropriate categories depends on:

- The business model for managing the financial assets; and
- the contractual cash flow characteristics of the financial asset.

All financial assets owned by the Group are measured at amortized cost, with the fair values being not materially different from their carrying amounts due to their short-term nature.

Financial liabilities

The fair values of financial liabilities are not materially different from their carrying amounts, since the interest payable on those liabilities is either close to current market rates or the liabilities are of a short-term nature.

Financial instruments – risk management

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

- Credit risk;
- Market risk; and
- Liquidity risk.
-

Risk management framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors is responsible for developing and monitoring the Company's risk management policies.

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.

27 Financial instruments – fair values (continued)

Risk management framework (continued)

The Group's Audit Committee 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 Company's 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 provided to the Audit Committee.

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.

Credit risk

The Group is exposed to credit risk as a result of the counterparty's failure to meet its contractual obligations when due, in respect of:

- Trade receivables
- Cash at banks

In monitoring customer credit risk, customers are grouped according to their credit characteristic and geographic location and existence of previous financial difficulties.

The Group is closely monitoring the economic environment in taking actions to limit its exposure to customers in countries experiencing particular economic volatility. Purchase limits are monitored, particularly for customers operating in Kingdom of Saudi Arabia, because the Group's experience is that the recent economic volatility has had a greater impact for customers than for customers in other countries.

Credit risk is the risk that the Group will incur a financial loss as a result of the failure of the customer or counterparty to a financial instrument to fulfil its contractual obligations. The carrying amount of financial assets represents the maximum credit exposure. Impairment losses on financial assets recognized in consolidated statement of profit or loss and other comprehensive income amounted to SR 15.7 million (2020: SR 17.8 million).

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. management also considers the factors that may influence the credit risk of its customers base, including the default risk of the industry and the country in which customers operate. Further, details of concentration of revenue are included in note 19.

For receivables, the Group has set a credit policy according to which each new customer is individually analysed according to the financial solvency before presenting the Group's standard payment and delivery terms and conditions, and it includes reviewing the financial statements, information about the business and in some cases bank references. credit limits are set for each customer and are reviewed periodically. The Group limits its exposure to credit risk by providing credit terms that usually do not exceed three months on average.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, their geographic location, industry, and existence of previous financial difficulties.

As at December 31, 2021 and December 31, 2020 the exposure to credit risks for receivables was as follows:

Gross carrying amount	**December 31, 2021**	**December 31, 2020**
Trade receivables (note 6)	**496,365**	424,944
Cash and cash equivalents (Bank balances) (note 10)	**51,748**	62,567
Total	**548,113**	487,511

27 Financial instruments – fair values (continued)

Credit risk (continued)

* For trade receivables the Group grouped the customers who can buy on credit by geographic region, the maximum exposure to the credit risk for total current and non-current trade receivables by geographic region are as follows:

	For the year ended 31 December	
	2021	**2020**
KSA	**323,290**	264,925
Jordan	**46,602**	53,170
UAE	**15,965**	15,080
	385,857	333,175

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of loss (including but not limited to audited financial statements, management accounts and cash flow projections) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of loss such as general economic and/or market conditions, client financial performance and profitability, cash flow or liquidity issues, payment delays and past due information and management experience.

These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions such as oil prices over the expected lives of the receivables. The Group uses an allowance matrix to measure the ECLs of trade receivables from individual customers that represent a large number of low value balances. The expected loss rates are based on the payment profiles of sales over a period of 36 months.

The following table provides information about the exposure to credit risk and ECLs for trade receivables based on geographical area as at December 31, 2021 and December 31, 2020:

December 31, 2021	**Gross carrying amount**	**Weighted average loss**	**Loss allowance (%)**
KSA	**393,499**	**73,136**	**18.6%**
Jordan	**81,675**	**35,071**	**42.9%**
UAE	**21,191**	**5,226**	**24.7%**
	496,365	**113,433**	**22.9%**

December 31, 2020	**Gross carrying amount**	**Weighted average loss**	**Loss allowance (%)**
KSA	317,131	59,188	18.7%
Jordan	87,785	34,615	39.4%
UAE	20,028	4,948	24.7%
	424,944	98,751	23.2%

The following table provides information about the exposure to credit risk and ECLs for all trade receivables as at December 31, 2021 and December 31, 2020:

2021	**Gross carrying amount**	**Weighted average loss**	**Loss allowance (%)**
1-90 days	**185,152**	**3,528**	**1.9%**
91-180 days	**87,192**	**1,615**	**1.9%**
181-270 days	**44,745**	**1,737**	**3.9%**
271-360 days	**6,074**	**439**	**7.2%**
More than 360 days	**173,202**	**106,114**	**61.3%**
	496,365	**113,433**	**22.9%**

27 Financial instruments – fair values (continued)

Credit risk (continued)

2020	Gross carrying amount	Weighted average loss	Loss allowance (%)
1-90 days	145,798	2,490	1.7%
91-180 days	84,070	876	1.0%
181-270 days	13,649	468	3.4%
271-360 days	8,471	799	9.4%
More than 360 days	172,956	94,118	54.4%
	424,944	98,751	23.2%

Factors impacting ECL model

1- Trade receivables collections.
2- Forward looking information included in ECL model is oil prices which is correlated to the Group's trade receivables.

Sensitivity

The following table demonstrates the sensitivity of the impairment of trade receivables to reasonably possible changes in oil prices with all other variables held constant:

	December 31, 2021	December 31, 2020
Increase by 100 basis points	**7 36**	641
Decrease by 100 basis points	**(736)**	(641)

The Group has assessed other receivables as underperforming receivables and as the expected lifetime of related financial assets for less than 12 months the Group has applied the expected loss measurement over the life of the assets. The expected losses of other receivables as at December 31, 2021 are SR 5,956 (2020: SR 5,956).

The Group has kept cash and cash equivalents in reputable banks and financial institutions, so the expected credit losses of cash and cash equivalents as at December 31, 2021 is insignificant (December 31, 2020: insignificant). The cash balance as at December 31, 2021 is SR 54.15 million (December 31, 2020: SR 62.5 million).

The credit ratings of banks in which the Group holds cash as at December 31, 2021 and December 31, 2020 are as follows:

The Bank	Credit rating	December 31, 2021	December 31, 2020
Al Bilad Bank	A3	**1,024**	599
Al Inma Bank	BBB+	**175**	710
Bank Aljazira	BBB+	**1,356**	692
Arab National Bank	BBB+	**1,627**	1
Arab Corporation Bank	BB+	**17,723**	11,793
Gulf International Bank	BBB+	**980**	36
National Commerial Bank	A1	**-**	1,695
National bank of Bahrain	B+	**585**	-
Al Rajhi Bank	A-	**714**	3,006
Riyad Bank	BBB+	**8,630**	30,672
Saudi British Bank	BBB+	**13,564**	11,024
Samba Bank	A-1		810
Saudi Fransi Bank	BBB+	**488**	469
Saudi Investment Bank	BBB+	**2,754**	1,060
Saudi National Bank	A-	**2,128**	-
		51,748	62,567

27 Financial instruments – fair values (continued)

Market risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, such as foreign exchange rates, commission rates and goods 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 optimizing the return.

Currency risks

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals. However, the Group has investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. Currently, such exposures are mainly related to exchange rate movements between local currencies against Jordanian Dinar and U.A.E. Dirhams. The Group's management monitors such fluctuations and manages its effect on the consolidated financial statements accordingly. However management believe that the effect of currency translation is insignificant for these subsidiaries as exchange currencies are regularly fixed to Saudi Riyal.

Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group - primarily Saudi Arabian Riyal, but also US Dollar and Jordanian Dinar. In addition, interest on borrowings is denominated in the currency of the borrowing. This provides an economic hedge without derivatives being entered into and therefore hedge accounting is not applied in these circumstances. Currency risk regarding purchase in Euro is immaterial.

Profit rate risk

Profit rate risk is the exposure to risks associated with the effect of fluctuations in the prevailing profit rates on the Group's financial position and cash flows. Islamic banking facilities (Murabaha) and other banking facilities amounting to SR 480 million as at December 31, 2021 (2020: SR 377 million) carry fee of variable profit financing according to prevailing market rates. The Group's management monitors the fluctuations in commission rates on an ongoing basis.

The interest rate profile of the Group's interest -bearing financial instruments as reported to the management of the Group is as follows.

	2021	**2020**
Financial liabilities		
Fixed rate instruments	**475,213**	370,146
Variable rate instruments	**4,877**	7,321
	480,090	377,467

Sensitivity Analysis

A reasonably possible change of 1% interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates remain constant

	Profit or loss		**Equity net of tax**	
	Increase	**Decrease**	**Increase**	**Decrease**
31-December-2021				
Variable rate instruments	**96**	**(96)**	**96**	**(96)**
31-December-2020				
Variable rate instruments	73	(73)	73	(73)

27 Financial instruments – fair values (continued)

Price risk

The Group is not exposed to price risk as it does not have financial instruments sensitive to market prices.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset, The Group's approach to managing liquidity by monitoring on a regular basis that sufficient funds and banking and other credit facilities are available to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group seeks continuously to comply with its legal obligations, including any, relating to its financing agreements.

Liquidity risk is managed by monitoring on a regular basis that sufficient funds and banking and other credit facilities are available to meet the Group's future commitments.

Management monitors rolling forecasts of the group's liquidity reserve comprising the undrawn borrowing facilities amounting to SAR 491.5 million (December 31, 2020: SAR 151,893) (See note 14) and cash and cash equivalents amounting to SAR 53 million as at December 31, 2021 (December 31, 2020: SAR 79,906) (See note 10) on the basis of expected cash flows. This is generally carried out at a Group level. In addition, the group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The associate has outstanding credit facility guaranteed by the Company in proportion to its share. As of December 31, 2021 and 2020, no loans were drawn by the associate under the facility agreement.

The following are the contractual maturities of the financial liabilities at the end of the reporting period. Amounts are shown in total and not discounted:

	Saudi Riyals				
Contractual maturities of financial liabilities as at December 31, 2021	**Less than one year**	**1- 2 years**	**2- 5 years and more**	**Total**	**Carrying amount**
Trade payables due to related parties	**147,750**	-	-	**147,750**	**147,750**
Trade payables - third party	**89,143**	-	-	**89,143**	**89,143**
Loans	**408,816**	**76,215**	**16,563**	**501,594**	**480,090**
Lease liabilities	**6,832**	**3,778**	-	**10,610**	**7,007**
Total	**652,541**	**79,993**	**16,563**	**749,097**	**723,990**

	Saudi Riyals				
Contractual maturities of financial liabilities as at December 31, 2020	**Less than one year**	**1- 2 years**	**2- 5 years and more**	**Total**	**Carrying amount**
Trade payables due to related parties	165,141	-	-	165,141	165,141
Trade payables - third party	82,294			82,294	82,294
Loans	259,087	76,215	43,088	378,390	٣٧٧,٤٦٧
Lease liabilities	6,664	3,103	3,373	13,140	١٠,٦٩٧
Total	513,186	79,318	46,461	638,965	635,599

27 Financial instruments – fair values (continued)

Liquidity risk (continued)

The following table summarize the assets and liabilities expected recovery/settlement period:

Assets	expected time frame for recovery /settlement	December 31, 2021	December 31, 2020
Prepayments and other debt balances	**Less than 1 year**	**40,007**	30,315
Trade and other receivables	**Less than 1 year**	**372,572**	321,891
Trade and other receivables (non-current)	**After 2 years**	**13,285**	11,284
Inventories	**Less than 1 year**	**349,959**	296,061

Liabilities		December 31, 2021	December 31, 2020
Non-current liabilities			
Loans	**2 to 3 years**	**70,963**	104,256
Lease liabilities	**After 2 years**	**3,640**	5,680
Current liabilities			
Loans	**Less than 1 year**	**409,127**	273,211
Trade and other payables	**Less than 1 year**	**324,361**	342,705
Lease liabilities	**Less than 1 year**	**3,367**	5,017

28 Related party transactions

Significant balances and transactions with related parties included in the consolidated financial statements are as follows:

Due to related parties – under trade and other payables:

Name	Relationship	Nature of Transaction	Amount of Transaction		Closing Balance	
			31 December 2021	31 December 2020	31 December 2021	31 December 2020
LG Shaker	Associate	Purchase of finished goods	**389,004**	290,083	**128,427**	153,119
		Dividend received	-	49,000	-	-
LG Electronics	A 51% owner of LG Shaker Company (Note 7)	Purchase of finished goods	**67,126**	58,052	**19,323**	12,022
Total trade and other payable (note 16)					**147,750**	165,141
Key management personnel	Key management	Remuneration and meeting attendance fee	**1,800**	761	1,410	-
					149,160	165,141

b) Key management personal compensation:

	2021	2020
Short-term employee benefits	**6,378**	5,321
Post-employment benefits	**266**	312
	6,644	5,633

29 Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business Management monitor the return on capital as well as the level of dividends to ordinary shareholders.

The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position,

The Group monitors capital using a ratio of adjusted net debt' to 'adjusted equity". For this purpose, adjusted net debt is defined as total liabilities, comprising interest-bearing loans and borrowings, less cash, and cash equivalents. Adjusted equity comprises all components of equity.

The Group's adjusted net debt to equity ratio at 31 December 2021 was as follows:

	2021	2020
Total liabilities	**852,487**	787,138
Less: cash and cash equivalents	**(53,020)**	(79,906)
Adjusted net debt	**799,467**	707,232
Total equity	**636,585**	652,526
Equity	**636,585**	652,526
Adjusted net debt to equity ratio	**126%**	108%

30 Dividends

No dividends have been paid during the year ended 31 December 2021 (2020: nil).

31 Subsequent events

No material events occurred subsequent to the reporting date which could materially affect the consolidated financial statements and the related disclosures for the year ended 31 December 2021, except for the CMA approval for the Company's requests to decrease and increase its share capital as disclosed in note (1) to the consolidated financial statements.

32 Restatements

Certain amounts in the comparative years have been corrected and, accordingly, restated in the consolidated statement of financial position as at December 31, 2020 and 1 January 2020, and in the consolidated statements of profit or loss and other comprehensive income for the prior years as explained below:

a) The unrealized profit on upstream transactions between the Company and its associate were not eliminated in prior years. Therefore, the investment in associate and share of profit from the associate balances have been corrected retrospectively.

b) Included within trade and other receivables was a receivable balance amounting to SAR 28.64 million in relation to advisory services offered by one of the Group's subsidiaries. Based on the memorandum of understanding between the subsidiary and its customer, the fees were contingent in nature. Further, the probability of realizability of these fees was low and did not meet the recognition criteria. Therefore, the revenue and the related receivable balance should not have been recognized in the previous financial years.

c) The presentation of the statement of financial position is changed retrospectively for better understanding and presentation by segregating prepayments and other debt balances from trade and other receivables. The effects are the reclassification of SR 4.2 million as at December 31, 2020 (January 1, 2020: SR 3.5 million) from trade and other receivables to prepayments and other debt balances.

   The total cashflows from operating, investing, and financing activities were not affected because of these restatements. The effects of the restatements in the statement of cash flows are primarily in adjustments for non-cash items and changes in working capital within cash flows from operating activities and hence, are not disclosed separately.

32 Restatements (continued)

32.1 Consolidated statement of financial position as at January 1, 2020

	Note	As previously stated	Reclassification	Restatement	As restated
Investment in an associate	32 (a)	457,128	-	(13,321)	443,807
Total non-current assets		719,090	-	(13,321)	705,769
Trade and other receivables	32 (b) & (c)	380,691	(3,538)	(28,640)	348,513
Prepayments and other debt balances	32 (c)	27,398	3,538	-	30,936
Total current assets		748,181	-	(28,640)	719,541
Total assets		1,467,271	-	(41,961)	1,425,310
Accumulated losses	32 (a) & (b)	(146,925)	-	(34,515)	(181,440)
Non-controlling interest	32 (b)	19,933	-	(7,446)	12,487
Total equity		643,945	-	(41,961)	601,984

32.2 Consolidated statement of financial position as at December 31, 2020

	Note	As previously stated	Reclassification	Restatement	As restated
Investment in an associate	32 (a)	434,586	-	(15,432)	419,154
Total non-current assets		682,851	-	(15,432)	667,419
Trade and other receivables	32 (b)	354,700	(4,169)	(28,640)	321,891
Prepayments and other debt balances	32 (c)	26,146	4,169	-	30,315
Total current assets		756,813	-	(28,640)	728,173
Total assets		1,439,664	-	(44,072)	1,395,592
Accumulated losses	32 (a) & (b)	(138,930)	-	(36,626)	(175,556)
Non-controlling interest	32 (b)	20,519	-	(7,446)	13,073
Total equity		652,526	-	(44,072)	608,454

32.3 Consolidated statement of profit or loss and other comprehensive income

	Note	As previously stated	Restatement	As restated
For the year ended December 31, 2020:				
Share of net profit from an associate	32 (a)	26,458	(2,111)	24,347
Profit before zakat and foreign income tax		16,874	(2,111)	14,763
Net profit for the year		10,134	(2,111)	8,023
Total comprehensive income for the year		8,581	(2,111)	6,470
Basic and diluted earnings per share		0.15	(0.03)	0.12

33 Contingencies and commitments

The Group has the following as at December 31, 2021.

a) The Group has outstanding bank guarantees of SAR 38.7 million (December 31, 2020: SAR 37 million) issued by the local and foreign banks in respect of import of finished goods and other supplies.

b) The Group has outstanding bank letters of credit of SAR 175 million (December 31, 2020: SAR 41 million) issued against import of finished goods and other supplies.

c) The Company has a contractual obligation with regard to purchase of land amounting to SAR 10.9 million as of December 31, 2021.

34 The impact of COVID-19

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and causing disruptions to businesses and economic activity across the globe. In response to the spread of the Covid-19 in GCC and other territories where Group operates and its resulting disruptions to the social and economic activities in those markets, the Group's management has proactively assessed its impacts on its operations and has taken a series of preventive measures to ensure the health and safety of its employees, customers, consumers and wider community and continuity of supply of its products throughout its markets. Notwithstanding these challenges, the Group's business operations currently remain largely unaffected. Based on that, Covid-19 pandemic has had no material effects on the Group's reported financial results for the year ended December 31, 2021.