Saudi Vitrified Clay Pipe Company
(A Saudi Joint Stock Company)
Riyadh – Kingdom of Saudi Arabia

Financial statements and independent auditor's report
For the year ended December 31, 2022

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(A Saudi Joint Stock Company)

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Independent auditor's report

To the shareholders of
Saudi Vitrified Clay Pipe Company
(A Saudi Joint Stock Company)
Riyadh, Kingdom of Saudi Arabia

Opinion

We have audited the financial statements of Saudi Vitrified Clay Pipe Company -A Saudi Joint Stock Company- (the "Company") which includes the statement of financial position as at December 31, 2022, the statement of profit or loss and other comprehensive income, the statement of changes is equity, and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31 2022, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards that are endorsed in Kingdom of Saudi Arabia and other Standards and Pronouncements supplementary to the International Standards that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Independent Auditor's Report (continued)

To the shareholders of
Saudi Vitrified Clay Pipe Company
(A Saudi Joint Stock Company)
Riyadh, Kingdom of Saudi Arabia

Key audit matters (continued)

Key Audit Matter	How the matter was addressed during our audit
Revenue recognition - Sale of goods For the year ended December 31,2022, the Company's net sales are amounted to SR 76.3 million (2021: SR 88.7 million). Revenue from the sale of goods is measured at the fair value of the cash consideration that was collected or collectible for the sale of the goods in the course of the Company's normal business, the Company recognizes sales of goods when control of the goods is transferred or when the goods are delivered to the customer and all risks of obsolescence and losses are transferred to the customer. We considered this a key audit matter due to that there is a risk that the timing and amount of sales recognized in the current period could have a material impact on the financial performance. Please refer to note No. (4) of the accounting policy and note No. (18) for the related disclosures about the accompanying financial statements.	**We have done the following procedures with regard to revenue recognition - the sale of goods:** • Evaluating and testing the efficiency of controls to recognize the sales in accordance with Company policy. • We tested the design and effectiveness of the Company's internal controls throughout the revenue cycle. • Performing substantive test of details and analytical procedures for the sales that have been made, to verify that the sales have been recognized in the period to which they relate. • Test the sales contracts used by the Company for each significant type and test samples of the sales contracts. • Testing a sample of sales returns and verifying their registration according to the Company's policies and procedures in accordance with the applied accounting policies. • Examining journal entries that were made manually and in which it posted on sales to identify any unusual or irregular items. • Assessed the appropriateness of the presentation and disclosure in the financial statement.

Independent Auditor's Report (continued)

To the shareholders of
Saudi Vitrified Clay Pipe Company
(A Saudi Joint Stock Company)
Riyadh, Kingdom of Saudi Arabia

Other information

Management is responsible for other information, and other information includes the information included in the Company's annual report, other than the 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 financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

With regard to our audit of the financial statements, it is our responsibility to read the other information identified above, and in doing so we consider whether the other information is materially inconsistent with the financial statements or with our knowledge obtained during the audit or otherwise appears to be materially misstated. If it becomes clear to us, through the work that we have done, that there is a material misstatement of this other information, then we are required to report on this fact, and we have no matters to be reported in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standard as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements supplementary to the International Standards as endorsed by the Saudi Organization for Chartered and Professional Accountants and in accordance with the companies' regulation and Company's by-laws and for such internal control as management determines is necessary to enable to preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for evaluating the Company's ability to continue as a going concern, where appropriate, disclosing matters relating to going concern and the use of the going concern basis of accounting unless management intends to liquidate the Company or cease operations or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue 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 to International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor's Report (continued)

To the shareholders of
Saudi Vitrified Clay Pipe Company
(A Saudi Joint Stock Company)
Riyadh, Kingdom of Saudi Arabia

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

As a part of an audit in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional skepticism throughout the audit. We also do the following:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtains 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 a 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 internal control for the Company.

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

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

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

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 stating that we have complied with the relevant ethical requirements relating to independence, and informing them of all relationships and other matters that may reasonably be believed to affect our independence, and also informing them, where applicable, related safeguards.

Independent Auditor's Report (continued)

To the shareholders of
Saudi Vitrified Clay Pipe Company
(A Saudi Joint Stock Company)

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

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

RSM Allied Accountants Professional Services

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Mohammed bin Farhan bin Nader
License 435
Riyadh, Kingdom of Saudi Arabia
12 Sha'ban 1444AH (4 March, 2023)

Saudi Vitrified Clay Pipe Company
(Saudi Joint Stock Company)

Statement of Financial Position
As at December 31, 2022

	Note	2022 SR	2021 SR
Assets			
Non-current assets			
Property, machines, and equipment, net	5	**166,630,709**	177,923,849
Intangible assets, net	6	**342,212**	684,424
Right of use assets, net	7	**4,220,013**	4,550,318
Advance payments for purchase machines and equipment	8	**1,208,298**	1,208,298
Capital works under construction	9	**5,572,362**	-
Total non-current assets		**177,973,594**	184,366,889
Current assets			
Prepaid expenses and other assets	10	**3,570,543**	1,827,310
Inventory, net	11	**40,694,210**	43,526,816
Accounts receivable, net	12	**38,051,964**	47,469,657
Cash on hand and banks balances	13	**39,135,249**	36,225,600
Total current assets		**121,451,966**	129,049,383
Total assets		**299,425,560**	313,416,272
Owners' Equity and Liabilities			
Owners' Equity			
Share capital	1	**150,000,000**	150,000,000
Statutory reserve	14	**75,000,000**	75,000,000
Retained earnings		**43,701,861**	51,933,869
Total owners' equity		**268,701,861**	276,933,869
Liabilities			
Non-current liabilities			
Lease obligations - noncurrent portion	7	**3,316,474**	4,154,553
Defined employees' benefit plan obligations	15	**12,755,689**	13,857,866
Total non-current liabilities		**16,072,163**	18,012,419
Current liabilities			
Lease obligations - current portion	7	**654,861**	654,861
Accruals and other liabilities	16	**7,041,368**	6,769,895
Contract obligation with clients		**774,395**	769,082
Accounts payable		**3,238,853**	7,315,622
Unpaid dividends to shareholders		**82,463**	82,463
Zakat provision	17	**2,859,596**	2,878,061
Total current liabilities		**14,651,536**	18,469,984
Total liabilities		**30,723,699**	36,482,403
Total owners' Equity and Liabilities		**299,425,560**	313,416,272

The accompanying notes from (1) to (27) form an integral part of these financial statements

Saudi Vitrified Clay Pipe Company
(Saudi Joint Stock Company)

Statement of Profit or Loss and Other Comprehensive Income
For the year ended December 31, 2022

	Note	2022 SR	2021 SR
Profit or loss			
Sales, net	18 , 4	**76,349,895**	88,715,334
Cost of sales	18	**(71,935,214)**	(67,214,562)
Gross profit		**4,414,681**	21,500,772
Selling and marketing expenses	19	**(6,251,266)**	(5,097,409)
General and administrative expenses	20	**(18,177,538)**	(17,479,012)
Net loss from main operations		**(20,014,123)**	(1,075,649)
Financing costs	7 – c	**(192,574)**	(197,891)
Other income	21	**14,486,126**	1,615,435
Net (loss) profit for the year before zakat		**(5,720,571)**	341,895
Zakat	17	**(3,042,105)**	(2,397,236)
Net loss for the year		**(8,762,676)**	(2,055,341)
Other comprehensive loss			
Items not to be reclassified to profit or loss in subsequent periods			
Re- measurement income on defined employees' benefit plan obligations	15	**530,668**	10,161
Total other comprehensive income		**530,668**	10,161
Total comprehensive loss for the year		**(8,232,008)**	(2,045,180)
Loss per share	22		
Basic and diluted loss per share from net loss from main operations		**(1.33)**	(0.07)
Basic and diluted loss per share from net loss		**(0.58)**	(0.14)
Number of shares		**15,000,000**	15,000,000

The accompanying notes from (1) to (27) form an integral part of these financial statements

Saudi Vitrified Clay Pipe Company
(Saudi Joint Stock Company)

Statement of changes in equity
For the year ended December 31, 2022

	Share capital SR	**Statutory reserve** SR	**Retained earnings** SR	**Total owners' equity** SR
Balance as of January 1, 2021	150,000,000	75,000,000	53,979,049	278,979,049
Net loss for the year	-	-	(2,055,341)	(2,055,341)
Other comprehensive income	-	-	10,161	10,161
Balance as of December 31, 2021	150,000,000	75,000,000	51,933,869	276,933,869
Net loss for the year	-	-	**(8,762,676)**	**(8,762,676)**
Other comprehensive income	-	-	**530,668**	**530,668**
Balance as of December 31, 2022	**150,000,000**	**75,000,000**	**43,701,861**	**268,701,861**

The accompanying notes from (1) to (27) form an integral part of these financial statements.

Saudi Vitrified Clay Pipe Company
(Saudi Joint Stock Company)

Statement of cash flows
For the year ended December 31, 2022

	2022 SR	2021 SR
Cash flows from operating activities		
Net loss for the year	**(8,762,676)**	(2,055,341)
Adjustments to reconcile net loss for year to net cash provided by operating activities		
Depreciation of property, machines, and equipment	**12,857,479**	12,795,770
(Gains) loss from the sale of property, machines, and equipment	**(8,996)**	2
Amortization of intangible assets	**342,212**	342,212
Depreciation of right of use assets	**330,305**	569,995
Adjustments of right of use assets and lease obligations	**(248,081)**	95,368
Write off provision for expected credit loss	**(516,422)**	-
Write off of contract obligations with customers	**-**	(1,388,482)
Zakat provision	**3,042,105**	2,397,236
Defined employees' benefit plan obligations charged	**1,580,357**	1,479,466
Financing costs	**192,574**	197,891
	8,808,857	14,434,117
Changes in operating assets and liabilities		
Prepaid expenses and other assets	**(1,743,233)**	85,906
Inventory	**1,373,333**	(2,297,503)
Accounts receivable	**9,934,115**	7,871,079
Accrued expenses and other liabilities	**271,473**	(1,348,843)
Contract obligation with clients	**5,313**	167,310
Accounts payable	**(4,076,769)**	1,095,758
Results from operations	**14,573,089**	20,007,824
Zakat provision paid	**(3,060,570)**	(2,731,711)
Defined employees' benefit plan obligations paid	**(2,151,866)**	(4,383,334)
Net cash provided by operating activities	**9,360,653**	12,892,779
Cash flows from investment activities		
Additions to property, machines and equipment	**(105,070)**	(99,567)
Advance payments for purchase machines, and equipment	**-**	(1,208,298)
Proceeds from the sale of property, machines, and equipment	**9,000**	-
Additions to capital works under construction	**(5,572,362)**	-
Net cash used in investment activities	**(5,668,432)**	(1,307,865)
Cash flows from financing activities		
Principal element of lease payments	**(589,998)**	(223,325)
Interest element of lease payments	**(192,574)**	(197,891)
Net cash used in financing activities	**(782,572)**	(421,216)
Net change in cash on hand and banks balances	**2,909,649**	11,163,698
Cash on hand and banks balances, beginning of the year	**36,225,600**	25,061,902
Cash on hand and banks balances, ending of the year	**39,135,249**	36,225,600
Non-cash transactions		
Transfer from spare parts inventory to property, machines, and equipment	**(1,459,273)**	(1,474,978)
Re- measurement income on defined employees' benefit plan obligation	**(530,668)**	(10,161)

The accompanying notes from (1) to (27) form an integral part of these financial statements

1 - Organization and Activities

A- Saudi Vitrified Clay Pipe Company ("the Company") is a Saudi joint stock Company registered in Saudi Arabia under the Commercial Register No. 1010014993 issued in Riyadh on Rabia AlAwwal 8, 1398 AH (corresponding to February 16, 1978).

The Company's main activity is in manufacturing of pipe.

The Company has obtained the following sub-commercial registration:

commercial name	CR number	Date of issuance	Place of issuance	Activity
Saudi Vitrified Clay Pipe Company	1010609539	18/10/1438AH	Riyadh	Operating quarries, pipes' manufacturing, trading in pottery and handicrafts.

The financial statements represent the assets, liabilities and operations' results for the main and sub-commercial registration only

B- The Company's capital is set at SR 150,000,000 with 15,000,000 equal-value nominal shares, with a par value of SR 10 for each, all of which are ordinary cash shares.

C- The Company's headquarters is located at the following address:
Saudi Vitrified Clay Pipe Company
Riyadh - Second Industrial City - Road No. 182
P.O 6415
Zip Code 11442
Kingdom of Saudi Arabia

2 - Basis of preparing financial statements

Statement of Compliance
These financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards endorsed in Kingdom of Saudi Arabia and other standards and pronouncements supplementary to the International Standards endorsed by the Saudi Organization for Chartered and Professional Accountants.

Basis of measurement
These financial statements have been prepared according to historical cost principle, going concern basis and the accrual basis of accounting. Other basis will be used if International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements supplementary to the International Standards endorsed by the Saudi Organization for Chartered and Professional Accountants require that, as stated in the summary of significant accounting polices (note 4).

Functional and presentation currency
These financial statements are presented in Saudi Arabian Riyals which is the functional currency of the Company and are rounded to nearest Saudi riyal.

Use of assumptions and estimates
The preparation of the financial statements in accordance with the International Financial Reporting Standards endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements supplementary to the International Standards endorsed by the Saudi Organization for Chartered and Professional Accountants requires the management to use assumptions and estimates that affect the recorded amounts of revenues, costs, assets, liabilities and disclosures about potential liabilities at the date of the financial period. However, uncertainty about these assumptions and estimates may result in results that may require a material adjustment to the carrying amount of the assets and liabilities affected in the future.

Estimates and related assumptions are reviewed on an ongoing basis, and revisions to estimates are recognized prospectively.

2 - Basis of preparing financial statements (continued)

Use of assumptions and estimates (continued)

Uncertainty of assumptions and estimates

Fair value
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 a transaction takes place between the asset, or transfer of the liability, that 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.

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

Fair values are categorized into different levels in the fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: Quoted market prices in active markets for the same financial instruments.
Level 2: Valuation techniques that rely on inputs that affect the fair value that are directly or indirectly observable in the market.
Level 3: Valuation techniques that rely on fair value inputs that cannot be directly or indirectly observed in the market.

Going Concern
The Company's management made an assessment for its ability to continue as a going concern and concluded that it has the resources to continue its activity in the foreseeable future. In addition, the management is not aware of any material uncertainty that may cast doubt on the ability of the Company to continue according to the going concern basis. Accordingly, the financial statements have been prepared on the going concern basis.

Useful life or residual value or depreciation or amortization method of property, machines, and equipment and intangible assets
The Company's management estimates the estimated useful life of property, machines, and equipment and intangible assets. This estimate is determined after consider the expected use of the asset or damage and the natural obsolescence. Management reviews the useful life or residual value or depreciation or amortization method of property, machines, and equipment annually, whereby future depreciation or amortization is modified when management believes that the useful life, residual value or depreciation or amortization method is different from that used in previous periods.

Impairment of non-financial assets
The Company's management periodically reviews the book value of non-financial assets to determine whether there is any indication that such assets may be subject to any impairment loss. If there is any indicator, the recoverable amount of assets is estimated to determine the extent of impairment loss. When it is not possible to estimate the recoverable amount of assets individually, the Company estimates the recoverable amount of the cash generating unit to which the assets belong. If the amount of recoverable assets is estimated to be below its book value, the book value of the asset decreased to its recoverable value, and the impairment loss is recognized in the statement of profit or loss.

2 - Basis of preparing financial statements (continued)

Use of judgment and estimates (continued)

Uncertainty of assumptions and estimates (continued)

Impairment of inventory
Inventory are stated at the lower of cost or net realizable value. When inventory is old or obsolete, an estimate is made of net realizable value. This estimation is performed in respect of each significant amount on a reasonable basis. Amounts which are not considered material for each inventory item, but which are old or obsolete, are assessed collectively and a provision is formed for them depending on the type of inventory and the degree of obsolescence or old based on historical selling prices.

Impairment of receivables
An estimate of the collectible amount of accounts receivable is made when it is not possible to collect the full amount. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant and overdue are assessed collectively, and a provision is formed for them according to the length of time overdue they are due.

Employee benefits
The costs of employees' end-of-service plans and the present value of the end-of-service benefit obligations are determined using actuarial valuations. Actuarial valuations include assumptions that may differ from actual developments in the future. It includes determining the discount rate, future salary increases, mortality rate and future increases in pensions. Given the complexities involved in the valuation and its long-term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at the reporting date.

Zakat
In calculating zakat for the current year, the Company adjusted its net profit and applied a certain discount to its zakat to calculate zakat expenses. The Company has made the best estimates of these assumptions.

3 - New standards and amendments to standards, interpretations and issued standards that have not yet been applied

New standards and amendments to standards and interpretations

The application of the following amendments to the current standards does not have a material impact on the Company's financial statements in the current or previous periods and is expected not to have a material impact in future periods:

- Amendments to IFRS 3 (Business Combinations): Reference to the conceptual framework for financial reporting without changing the accounting requirements for business combinations.

- Amendments to IAS 16 (Property, Plant and Equipment): A Company is prohibited from deducting from the cost of property, plant and equipment amounts received from the sale of produced items while the Company is preparing the asset for its intended use. Instead, the Company will recognize the proceeds of such sales and related costs in the statement of profit or loss.

- Amendments to IAS 37 (Provisions, Liabilities and Contingent Assets): The standard specifies costs that a Company includes when assessing whether a contract will cause a loss.

3 - New standards and amendments to standards, interpretations and issued standards that have not yet been applied (continued)

Issued standards that have not yet been applied
A number of new declarations are effective for annual periods beginning on or after January 1, 2023, with early application permitted. However, the Company did not implement early application of the new or amended standards in preparing these financial statements.

Standards / Interpretations	Description	Effective from periods beginning on or after the following date
Amendments to IAS 1 and IFRS 2 Practice Statement	Classification of liabilities as a current or nun-current and Disclosure of accounting policies and the exercise of judgments regarding materiality.	January 1, 2023
Amendments to IAS 8	Definition of accounting estimates.	January 1, 2023
Amendments to IAS 12	Deferred tax relating to assets and liabilities arising from a single transaction.	January 1, 2023

The Company is evaluating the effects of the above standards, amendments and interpretations on the Company's financial statements.

4 - Summary of significant accounting policies

The following is a summary of the significant accounting policies followed by the Company:

Current versus non-current classification

The Company presents its assets and liabilities in the statement of financial position based on a current / non-current basis. The assets are considered as a current when its:

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

All other assets are classified as non-current.

All liabilities are considered as a current, when its:

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

All other liabilities are classified as non-current.

Property, machines, and equipment
Property, machines, and equipment are stated at cost less any accumulated depreciation and any impairment losses. The cost includes expenses directly attributable to the acquisition of property, machines, and equipment. When parts of a property, machines, and equipment item have useful life, they are computed as a main component of property, machines, and equipment. Repair and maintenance expenses are considered as revenue expenses, while improvement expenses are considered capital expenditures. The depreciation is calculated on the basis of its estimated useful life using the straight-line method. The sold or disposed asset and its accumulated depreciation are removed from the accounting records at the date of sale or disposal.

4 - Summary of significant accounting policies (continued)

Property, machines, and equipment (continued)

The estimated useful life for the main items of these property, machines, and equipment is as follows:

Description	Useful life	Description	Useful life
Buildings erected on leased land	16 – 30 years or lease period which is lower	Heavy equipment	10 years
Machinery and equipment	4 – 40 years	Computers and printers	5 years
Vehicles	4 – 5 years	Leasehold improvements	5 years or lease period whichever is lower
Furniture and fixtures	6 years	Spare parts	5 years

The useful life and depreciation method are reviewed periodically to ensure that the depreciation method and useful life are in line with the expected economic benefits from property, machines, and equipment.

Impairment of assets
At each reporting date, the carrying amount of assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of a potential impairment, the recoverable amount of an affected asset (or related group of assets) is estimated and compared to it carrying amount. If the estimated recoverable amount is less, the carrying amount is reduced to its estimated recoverable amount, and the impairment loss is recognized directly in the statement of profit or loss.

In case that the non-financial assets impairment loss is reversed except for goodwill, the carrying amount of the assets (or a group of related assets) is increased to the adjusted estimate of the recoverable amount, but not more than the amount that would have been determined had no impairment loss been recorded for the assets (or a group of related assets) in prior years, a reversal of an impairment loss is recognized immediately in the statement of profit or loss.

Intangible assets
Intangible assets acquired separately are recognized at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition.

After initial recognition, intangible assets are stated at cost less any accumulated amortization and any accumulated impairment losses, if any. Intangible assets produced internally, with the exception of development costs, are not capitalized, and expenses are recognized in the statement of profit or loss when incurred.

The useful lives of intangible assets are estimated to be either finite or indefinite.

Intangible assets with finite useful lives
The amortization period and the amortization method for intangible assets with finite useful lives are reviewed at the end of each financial period. Changes in the expected useful life or the expected method of amortization of future economic benefits for the intangible assets are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense for intangible assets with finite useful lives is recognized in the statement of profit or loss in the expense category consistent with the function of the intangible assets.

Intangible assets acquired are recognized separately by cost. The cost of intangible assets acquired in the process of assembling works is fair value at the date of acquisition.

Intangible assets with finite useful lives are amortized using the straight-line method over their estimated useful lives as follows:

Description	Useful age
Accounting system	5 years

4 - Summary of significant accounting policies (continued)

Intangible assets (continued)

Intangible assets with indefinite useful lives
Intangible assets with indefinite useful lives are not amortized, but are tested to ensure that there is no impairment in their value annually, either individually or at the cash-generating unit level. The assessment of indefinite useful life is reviewed annually to determine whether indefinite useful life is still a possibility. If it is not, the useful life is changed from indefinite to finite on a prospective basis.

Profit or loss resulting from stopping of recognition of intangible assets is measured by the difference between the net proceeds of disposal and the carrying value of intangible assets, and is recognized in the statement of profit or loss when the intangible assets are no longer recognized.

Right of use assets and leases obligations
The Company has recognized new assets and liabilities for its operating leases for various types of contracts including office lands and leases. Each rental payment is apportioned between the liability and the finance cost. The finance cost is charged to the statement of profit or loss over the lease term so that a constant periodic rate of interest is achieved on the remaining balance of the liability for each period. The right to use the asset is amortized over the useful life of the asset or the lease term, whichever is shorter, on a straight-line basis.

Right of use assets, is initially recognized:

- The initial measurement amount of the lease obligation that is the present value of future lease payments;
- Any lease payments made on or before the starting date of the lease contract minus any lease incentives received;
- Any initial direct costs incurred by the Company as a lessee;
- An estimate of the costs that the Company will incur as a lessee to dismantle and remove the assets, and return the site where the asset is located to the original state.

The right-of-use asset is subsequently measured at cost less any accumulated depreciation and any accumulated impairment losses adjusted for any re-measurement of the lease obligation.

The Company depreciates the right-of-use asset over the estimated term of the lease on a straight-line basis.

The lease liability is subsequently measured as follows:
- Increasing the carrying amount to reflect the interest on the lease obligation;
- Reducing the carrying amount to reflect rental payments;
- Re-measure the carrying amount to reflect any revaluation or amendments to the lease agreement.

The Company separates the amounts paid into the original portion (presented within financing activities) and interest (presented within operating activities) in the statement of cash flows.

In accordance with International Financial Reporting Standard No. (16), "right-to-use assets" are tested for impairment in accordance with International Accounting Standard No. 36 "Impairment of Assets".

The Company separates the amounts paid into the original portion (presented under financing activities) and interest (presented within operating activities) in the statement of cash flows.

In accordance with International Financial Reporting Standard No. (16), "right-to-use assets" are tested for impairment in accordance with International Accounting Standard No. 36 "Impairment of Assets".

Lease term
The Company defines the lease term as the irrevocable period in the lease agreement along with:
- the periods covered by the option to extend the lease contract if the Company is reasonably certain that it will exercise that option;
- The periods covered by the option to terminate the lease agreement if the Company is reasonably certain that it will not exercise this option.

4 - Summary of significant accounting policies (continued)

Lease term (continued)
With regard to short-term leases (lease term of 12 months or less) and low-value contracts, the Company recognized the rental expense on a straight-line basis as permitted in IFRS 16, which is the same method that was accounted for in accordance with the Accounting Standard International No. (17) "Lease Contracts".

Capital works under construction
Capital work in progress is stated at cost according to the initial measurement. Cost includes all expenditure directly attributable to bringing the asset to the condition in which it is operating and for the purpose for which it was acquired. Capital work-in-progress is transferred to property, plant and equipment when it is completed and available for the purpose for which it was acquired.

Financial instruments

Recognition and de-recognition
Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset have expired, or when the financial asset and all the risks and rewards have been materially transferred.

A financial liability is derecognized when it is extinguished, excluded, canceled or extinguished.

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset have expired, or when the financial asset and all the risks and rewards have been materially transferred.

Classification and Initial measurement of financial assets
All financial assets are initially measured at fair value adjusted for transaction costs (if any).
Financial assets - other than those designated and effective as hedging instruments - are classified into the following categories:

- Amortized cost.
- Fair value through profit or loss.
- Fair value through other comprehensive income.

The classification category is determined by:

- The Company's business model for managing financial assets.
- Characteristics of the contractual cash flow of financial assets.

All income and expenses related to financial assets recognized in profit or loss are presented in finance income, finance cost, or other financial items.

Subsequent measurement of financial assets

Financial assets at the amortized cost
Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- They are maintained within a business model that aims to maintain financial assets and collect their contractual cash flows.
- The contractual terms of the financial assets result in cash flows limited to payments of principal and interest due to the amount of principal outstanding.

4 - Summary of significant accounting policies (continued)

Financial instruments (continued)

Subsequent measurement of financial assets (continued)

Financial assets at the amortized cost **(continued)**

This category includes non-derivative financial assets such as loans and receivables with fixed or determinable payments that are not quoted in an active market. After initial recognition, they are measured at amortized cost using the effective interest rate method. A discount is eliminated when the effect of the discount is not significant. Balances at banks and debtors that fall into this category of financial instruments fall into this category of financial instruments.

Financial assets at fair value through profit or loss
Financial assets that are held within a different business model other than "hold for collection" or "hold for collection and sale" and financial assets whose contractual cash flows are not limited to principal payments and accrued interest are measured at FVTPL.

The fair value of financial assets in this category is determined by reference to an active market transaction or by using a valuation technique when there is no active market.

Financial assets at fair value through other comprehensive income
The Company calculates financial assets at fair value through other comprehensive income if the assets fulfill the following conditions:

- It is held within a business model that aims to conserve in order to collect and sell associated cash flows.
- That the contractual terms of the financial assets result in cash flows limited to payments of principal and interest due on the amount of principal non-outstanding debt.

Gains or losses recognized in other comprehensive income will be transferred when the asset is derecognized.

Impairment of financial assets
The new impairment requirements of IFRS 9 use more forward-looking information to recognize the Expected Credit Loss (ECL) model.

Recognition of credit losses no longer depends on the Company's initial determination of a credit loss event. Instead, the Company considers more extent for the range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, and reasonable and supportive forecasts that affect the expected collectability of the future cash flows of the instrument.

When applying this prospective approach, a distinction is made between:

- Financial instruments not had a significant credit quality deterioration since initial recognition, or that have low credit risk (level 1).
- Financial instruments whose credit quality has significantly decreased since initial recognition and whose credit risk is not low (level 2).

level 3 covers financial assets that have objective evidence of impairment at the reporting date. However, none of the Company's assets fall into this category.

"12 months of expected credit losses" are recognized for the first category while "lifetime ECLs" are recognized for the second category.

The ECL is determined by estimating the likely probability of credit losses over the expected life of the financial instrument.

The Company recognizes a 12-month expected credit loss for financial assets at FVOCI (if any). Since most of these instruments have good credit rating, the probability of their neutrality is small. However, at each reporting date, the Company evaluates whether there has been a significant increase in the credit risk of the instrument.

4 - Summary of significant accounting policies (continued)

Financial instruments (continued)

Derecognition of financial assets
The Company derecognize the financial assets only when the contractual rights to cash flows from the assets expire or it transfers the financial assets and the risks and rewards of ownership to another party. If the Company does not transfer or retain substantially all the risks and rewards of ownership of the assets, then the Company continues to recognize its share in the assets and liabilities associated with the financial assets to the amounts that it may have to pay.

Financial liabilities
Financial liabilities are classified either at amortized cost or at fair value through profit or loss.
All financial liabilities of the Company have been classified and measured at amortized cost using the effective interest method. The Company has no financial liabilities at fair value through profit or loss.

Inventory
Inventory is recorded at cost or net realizable value, whichever is the lower. Cost is determined using the weighted average method. The cost of inventory comprises all costs of purchases, costs of conversion and other cost incurred in the bringing the inventory to their present location and conditions. In the case of finished production and in-progress inventory, cost includes the appropriate share of production overheads based on normal operating capacity.

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

Accounts receivables
Trade receivables are amounts due from customers for products sold in the ordinary course of business. Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for expected credit loss in value, which is recognized in the statement of profit or loss.

Cash on hand and banks balances
Cash and cash equivalents comprise cash at bank and on hand cash and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in the value.

Defined employees' benefit plan obligations

- **End of service benefits**
  The end of service benefits provision is determined using the projected unit credit method, actuarial valuations being carried out at the end of annual reporting period. Remeasurements, comprising actuarial gain and loss, are recorded in the statement of financial position with charge of expenses and credit amounts in the statement of other comprehensive income in the period in which they occur. Remeasurements recognized in the statement of other comprehensive income are recorded immediately in retained earnings and will not be reclassified to statement of profit or loss.

- **Retirement benefits**
  The Company pays retirement contributions for its Saudi Arabian employees to the General Organization for Social Insurance. This represents a defined contribution plan. The payments made are expensed as incurred.

- **Short-term employees' benefits**
  A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

4 - Summary of significant accounting policies (continued)

Provisions

Provisions must be recognized when the Company has a present obligation (legal or implicit) as a result of a past event, and it is probable that it will require an outflow of resources with economic benefits to settle this obligation, and that an estimate of the amount of the obligation can be made in a reliable manner.

When a recovery is expected (by a third party) for some or all of the expenditure required to settle a provision (through an insurance contract for example), The recovered amount is recognized only when it is certain that the recovered amount will be received if the entity settles the obligation, and this recovered amount is recognized as a separate asset. The expense relating to the provision is presented in the statement of profit or loss, net of the amount recovered.

Accounts payables and accruals

Liabilities are recognized against amounts to be paid in the future for the goods or services received, whether or not they are provided with invoices by suppliers.

Contracts obligations with customers

Amounts received in advance from clients are recorded as contract obligations on the Company, provided that these amounts are recognized as realized revenue when the performance obligations are settled in accordance with the signed contracts.

Related parties

The related party is a person or entity related to the Company, and the person is related if he owns control or significant influence over the Company or is a member of the main management, and the entity is related if the entity is a member in same the group as a parent Company or a subsidiary or an associate Company or associated with a joint venture, or both entities are a joint venture of a third party.

Transaction with related parties transfer of resources, services, or obligations between the Company and the related party, regardless of whether the price is charged. Key management personnel are the authorized and responsible persons for planning and management, and they have direct or indirect control over the operations of the Company, including the manager.

Accrued dividends

Dividend distribution to the Company's shareholders is recorded as a liability when the dividends are approved. According to the Companies Law in the Kingdom of Saudi Arabia, distributions are approved upon approval by the shareholders or an authorization from the shareholders to the Board of Directors to distribute interim dividends to the shareholders of the Company on a semi-annual or quarterly basis according to a decision of the Ordinary General Assembly and renewed annually. And that is in proportion to the Company's financial position and cash flows. The corresponding amount is deducted directly from owners' equity

Zakat provision

Estimated Zakat is an obligation on the Company and it is recorded in the financial statements by charging it to the statement of profit or loss in accordance with the standard of zakat and the opinion issued by the Saudi Organization for Chartered and Professional Accountants, where it is calculated for the year in estimation according to the accrual basis.

Zakat is computed at the end of the year on the basis of the adjusted net income or the Zakat base, whichever is greater, according to the regulations of the Zakat, Tax, and Customs Authority in the Kingdom of Saudi Arabia.

Differences between the provision and the final assessment are recorded in the year in which the assessment is received.

4- Summary of significant accounting policies (continued)

Withholding tax

The Company collects taxes on transactions with non-resident parties in the Kingdom of Saudi Arabia and on dividends paid to non-resident shareholders in accordance with the regulations of the Zakat, Tax, and Customs Authority in the Kingdom of Saudi Arabia.

Value added tax

Expenses and assets are recognized net of value added tax, with the exception of:

- When the VAT incurred on the purchase of assets or services is not recoverable from the tax authority, in which case the VAT is recognized as part of the cost of acquiring the asset or as part of the expense item, as the case may be.

- When listing debit and credit accounts with the amount of VAT. The net amount of VAT recoverable from or payable to the tax authority is included as part of the debit or credit accounts in the statement of financial position.

Revenue recognition

The Company recognizes revenue under IFRS 15 using the following five-step model:

1- Defining the contract with the customer: A contract is defined as an agreement between two or more parties that creates enforceable rights or obligations and defines the criteria that must be met.

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

3- Determining the transaction price: the transaction price is the amount of consideration that the Company expects to achieve in return for transferring the promised goods or services to the customer, excluding the amounts collected on behalf of third parties.

4- Allocate a price to the transaction: performance obligations in the contract: for a contract that contains more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that determines the amount of consideration that the Company takes, specifying the amount of consideration that the Company expects to receive in exchange for fulfillment with all commitment.

5- Recognize revenue when (as) the entity satisfies the performance obligation.

Identify contracts with the client

The Company evaluates the terms and conditions of contracts with its customers because revenue is only recognized when performance obligations in contracts with customers are met. A change in the scope or price (or both) of a contract shall be considered as a modification of the contract and the Company should determine whether such change should be considered as a new contract or should be considered as part of the existing contract.

Identify performance obligations

Once the Company has identified a contract with a customer, it evaluates the contractual terms and customary business practices to determine all of the agreed services under the contract and which of those agreed services (or a group of agreed services) to be treated as separate performance obligations.

4- Summary of significant accounting policies (continued)

Revenue recognition (continued)

Determine the transaction price
The Company sets the transaction price as the amount it expects to receive. It includes an estimate of any variable consideration, the effect of the time value of money, the fair value of any non-monetary consideration, and the effect (if any) of any consideration paid or due to a customer. Variable consideration is limited to the amount for which there is a high probability that a significant reversal will not occur when the uncertainties associated with the variation have been resolved.

Allocation of transaction price
When determining the performance obligations and the transaction price, the transaction price is allocated to the performance obligations, usually in proportion to their stand-alone selling prices (on the basis of the relative stand-alone selling price). In determining standalone selling prices, the Company shall use observable information, if available. If standalone selling prices are not directly observable, the Company uses estimates based on reasonably available information.

Revenue recognition
Revenue is recognized only when the Company satisfies a performance obligation by transferring control of an agreed service to a customer. It is possible to transfer control over time or at a specific time. When a performance obligation is satisfied over a period of time, the Company determines the progress under the contract based on the input or output method which serves as the best measure of performance completed to date. The specified method is applied consistently to similar performance obligations and in similar circumstances.

Recognition of revenue from sales of goods
Sales of goods are recognized when the goods have been delivered and the significant benefits and risks of ownership of the goods have transferred to the buyer and issuing the related invoices, usually on delivery of the goods, as this is the point in time at which the amount is unconditional, because only the passage of time is required before payment is due.

Other revenue
Other revenues are recognized when earned.

Cost of sales
All expenses are recognized on an accrual basis, and operating costs are recognized on a historical cost basis. Production costs and direct manufacturing expenses are classified as cost of sales. This includes raw materials, direct labor and other related indirect costs. Other costs such as selling costs are recorded as selling and marketing expenses, while all other remaining costs are shown as general and administrative expenses.

Selling and marketing expenses
Selling and marketing expenses consist mainly of costs incurred in marketing and selling the Company's products. All other expenses are classified as general and administrative expenses.

General and administrative expenses
General and administrative expenses consist of direct and indirect costs that are not related to cost of revenue. Expenses should be apportioned on a consistent basis between general and administrative expenses and cost of revenue - whenever necessary. These expenses mainly include employee costs, other benefits for employees, bonuses and allowances for directors, maintenance fees, rental expenses, insurance, professional fees, and other.

4- Summary of significant accounting policies (continued)

Segment information

The business sector represents a group of assets and operations that jointly provide products or services that are subject to risks and returns that differ from those related to other business sectors, which are measured according to the reports used by the CEO and the main decision maker of the Company.

The geographical sector is related to providing products in a specific economic environment that are subject to risks and returns that differ from those related to business sectors in economic environments.

Loss per share

The basic and diluted loss per share is calculated from the net loss for the year by dividing the net loss for the year by the weighted average number of shares outstanding at the end of the year. The basic and diluted loss per share from main operations is also calculated by dividing the net loss from main operations by the weighted average number of outstanding shares as at the end of the year.

Foreign currency transactions

Transactions in foreign currencies are carried out into Saudi Riyals at the exchange rates prevailing at the time of the transaction. Monetary assets and liabilities in foreign currencies as at the date of the statement of financial position are converted into Saudi riyals at the rates prevailing at the end of the year. Gains and losses arising from repayments or foreign currency exchange are included in the statement of profit or loss.

Non-monetary items are not retranslated at the end of each year, but are measured at historical cost (converted using the exchange rates at the date of the transaction), with the exception of non-monetary items measured at fair value, which are converted using the exchange rates at the date on which the fair value was determined.

5 - Property, machines, and equipment, net

A- This item consists of the following:

As at December 31, 2022	Buildings erected on leased lands - B SR	Machinery and equipment - D SR	Vehicles SR	Furniture and fixtures SR	Heavy equipment's SR	Computers and printers SR	Leasehold improvement – E SR	Spare parts – D SR	Total SR
Cost									
Balance, beginning of the year	98,000,153	404,127,809	3,949,207	3,061,300	5,935,825	135,075	1,351,640	7,907,945	524,468,954
Additions	-	31,723	-	54,065	-	19,282	-	-	105,070
Transfer from inventory spare parts	-	-	-	-	-	-	-	1,459,273	1,459,273
Transfer from assets spare parts	-	1,045,117	-	-	-	-	-	(1,045,117)	-
Disposal	-	-	(147,000)	-	(225,000)	-	-	-	(372,000)
Balance, ending of the year	98,000,153	405,204,649	3,802,207	3,115,365	5,710,825	154,357	1,351,640	8,322,101	525,661,297
Accumulated depreciation									
Balance, beginning of the year	62,294,191	262,893,878	3,947,427	3,043,805	5,038,134	122,086	1,297,640	7,907,944	346,545,105
Charge for the year	2,079,888	10,323,795	1,750	18,644	224,871	8,606	53,998	145,927	12,857,479
Transfer from assets spare parts	-	1,045,117	-	-	-	-	-	(1,045,117)	-
Disposal	-	-	(146,999)	-	(224,997)	-	-	-	(371,996)
Balance, ending of the year	64,374,079	274,262,790	3,802,178	3,062,449	5,038,008	130,692	1,351,638	7,008,754	359,030,588
Net book value	33,626,074	130,941,859	29	52,916	672,817	23,665	2	1,313,347	166,630,709

5 - Property, machines, and equipment, net (continued)

A- This item consists of the following (continued):

As at December 31, 2021	Buildings erected on leased lands-B SR	Machinery and equipment-D SR	Vehicles SR	Furniture and fixtures SR	Heavy equipment's SR	Computers and printers SR	Leasehold improvement SR	Spare parts SR	Total SR
Cost									
Balance, beginning of the year	99,764,856	407,165,359	3,949,207	3,061,300	5,935,825	135,075	1,351,640	7,907,945	529,271,207
Additions	-	99,567	-	-	-	-	-	-	99,567
Transfer from inventory spare parts	-	1,474,978	-	-	-	-	-	-	1,474,978
Disposal	(1,764,703)	(4,612,095)	-	-	-	-	-	-	(6,376,798)
Balance, ending of the year	98,000,153	404,127,809	3,949,207	3,061,300	5,935,825	135,075	1,351,640	7,907,945	524,468,954
Accumulated depreciation									
Balance, beginning of the year	61,979,006	257,165,355	3,927,616	3,019,017	4,772,098	113,303	1,241,792	7,907,944	340,126,131
Charge for the year	2,079,888	10,340,616	19,811	24,788	266,036	8,783	55,848	-	12,795,770
Disposal	(1,764,703)	(4,612,093)	-	-	-	-	-	-	(6,376,796)
Balance, ending of the year	62,294,191	262,893,878	3,947,427	3,043,805	5,038,134	122,086	1,297,640	7,907,944	346,545,105
Net book value	35,705,962	141,233,931	1,780	17,495	897,691	12,989	54,000	1	177,923,849

5 - Property, machines, and equipment, net (continued)

B- The buildings costing SR 98,000,153 as at December 31, 2022 (2021: SR 98,000,153) are located on land leased from the Saudi Authority for Industrial Cities and Technical Zones (Modon) under operating leases on renewable terms.

C- The property, machines, and equipment as at December 31, 2022 includes assets that have been fully depreciated and are still operating at a cost of SR 151,664,662 as at December 31, 2022 (2021: SR 151,377,501).

D- The spare parts item, which costs SR 8,322,101as at December 31, 2022 (2021: SR 7,907,945), represents strategic parts for machinery and equipment costing SR 405,204,649 as at December 31, 2022 (2021: SR 404,127,809).

E- All improvements costing SR 1,351,640 as at December 31, 2022 (2021: SR 1,351,640) were made on premises leased under renewable operating leases.

6 - Intangible assets, net

A- The movement of intangible assets for the two years ended in December 31, as follows:

	2022 SR	2021 SR
Cost		
Balance, beginning of the year	**1,711,060**	1,711,060
Balance, ending of the year	**1,711,060**	1,711,060
Accumulated amortization		
Balance, beginning of the year	**1,026,636**	684,424
Charge for the year	**342,212**	342,212
Balance, ending of the year	**1,368,848**	1,026,636
Net book value	**342,212**	684,424

B- Intangible assets are represented in the Company's accounting system program.

7 - Right of use assets, net and lease obligations

A- This item consists of the following:

As at December 31, 2022	**Lands** SR	**Offices** SR	**Total** SR
Cost			
Balance, beginning of the year	**4,381,245**	**1,231,784**	**5,613,029**
Balance, ending of the year	**4,381,245**	**1,231,784**	**5,613,029**
Accumulated depreciation			
Balance, beginning of the year	**323,639**	**739,072**	**1,062,711**
Charge for the year	**83,006**	**247,299**	**330,305**
Balance, ending of the year	**406,645**	**986,371**	**1,393,016**
Net book value	**3,974,600**	**245,413**	**4,220,013**

7 - Right of use assets, net and lease obligations (continued)

A- This item consists of the following (continued):

As at December 31, 2021	Lands SR	Offices SR	Total SR
Cost			
Balance, beginning of the year	5,511,650	1,265,085	6,776,735
Disposals	(1,130,405)	(33,301)	(1,163,706)
Balance, ending of the year	4,381,245	1,231,784	5,613,029
Accumulated depreciation			
Balance, beginning of the year	633,524	505,413	1,138,937
Disposals	(633,524)	(12,697)	(646,221)
Charge for the year	323,639	246,356	569,995
Balance, ending of the year	323,639	739,072	1,062,711
Net book value	4,057,606	492,712	4,550,318

B- The depreciation of right of use assets for the two years ended in December 31, is allocated as follows:

	2022 SR	2021 SR
Cost of sales	**83,006**	323,639
General and administrative expenses - note 20	**247,299**	246,356
	330,305	569,995

C- The lease obligations classification as at December 31, as follows:

	2022 SR	2021 SR
Lease obligations - noncurrent portion	**3,316,474**	4,154,553
Lease obligations - current portion	**654,861**	654,861

The total financing cost for the year ended December 31, 2022 is SR 192,574 (2021: SR 197,891).

Expenses related to short-term leases contracts for the year ended December 31, 2022 is SR 103,571 (2021: SR 121,365).

The Company has followed the policy of charging the financing cost to the statement of profit or loss over the leasing period using the effective interest rate and the right to use the asset was depreciated over the useful life of the asset or the lease period whichever is shorter on the basis of the fixed premium.

8 - Advance payments for purchase machines and equipment

The advance payments represent the cost of purchasing machines and equipment to be used in one of the production lines' stages instead of the machines and equipment that were damaged as a result of the fire that occurred in one of the production lines' stages in the Company's first factory. The cost of advance payments for the purchase of machinery and equipment amounted to SR 1,208,298 as at December 31, 2022 (2021: SR 1,208,298) (note 23). This payment will be settled upon receipt of the machinery and equipment.

9 - Capital works under construction

A- The capital works under construction, with a balance of SR 5,572,362 as at December 31, 2022 (2021: zero Saudi riyals), is represented in the cost of rebuilding the building that was damaged as a result of the fire that occurred in the Company's first factory. The percentage of completed works amounted to 80% as at December 31, 2022, and the expected remaining cost to complete all works amounted to SR 1,564,000, and it is expected to be completed at the beginning of the third quarter of 2023 (note 23).

B- The movement of works under construction for the two years ended in December 31, as follows:

	2022 SR	2021 SR
Balance, beginning of the year	-	-
Charge during the year	**5,572,362**	-
Balance, ending of the year	**5,572,362**	-

10 -Prepaid expenses and other assets

	2022 SR	2021 SR
Advance payments to suppliers	**1,537,161**	825,792
Letter of credit	**1,064,237**	-
Prepaid expenses	**807,725**	822,575
Refundable deposit	**145,272**	170,272
Employees advance	**16,148**	8,671
	3,570,543	1,827,310

11 -Inventory, net

	2022 SR	2021 SR
Spare parts	**17,561,748**	18,576,407
Work in process	**10,348,270**	13,007,825
Raw Materials	**7,945,636**	9,263,114
Finished goods	**3,602,849**	1,680,952
Accessories	**2,299,458**	2,424,162
Packaging	**938,354**	576,461
	42,696,315	45,528,921
Provision for damaged, obsolete, and slow moving	**(2,002,105)**	(2,002,105)
	40,694,210	43,526,816

12 -Accounts receivable, net

A- This item consists of the following:

	2022 SR	2021 SR
Accounts receivable - B	**54,007,586**	63,941,701
Provision for expected credit losses - C	**(15,955,622)**	(16,472,044)
	38,051,964	47,469,657

12 -Accounts receivable, net (continued)

B- The following is the aging of receivable as at December 31:

	2022 **SR**	2021 SR
Up to 3 months	**22,211,090**	29,749,340
From 3 months up to 6 months	**4,257,510**	5,992,251
From 6 months up to one year	**7,765,964**	9,819,228
More than one year	**19,773,022**	18,380,882
	54,007,586	63,941,701

C- The movement on expected credit loss model for two years ended in December 31, as follows:

	2022 **SR**	2021 SR
Balance, beginning of the year	**16,472,044**	16,472,044
Write-off during the year - D	**(516,422)**	-
Balance, ending of the year	**15,955,622**	16,472,044

D- The Company's board of directors approved to Write-off receivables amounting to SR 516,422.

13 -Cash on hand and banks balances

	2022 **SR**	2021 SR
Bank balances	**39,128,661**	36,223,533
Cash on hand	**6,588**	2,067
	39,135,249	36,225,600

14 -Statutory reserve

- In line with the requirements of the corporate law, the Company's by-laws may stipulate setting aside a certain percentage of the net profits to form a reserve to be allocated for the purposes specified by the Company's by-laws. According to the Company's by-laws, at the end of each fiscal year, at least 10% of the annual net profit is set aside to form a statutory reserve, and the General Assembly may decide to stop this set aside when the aforementioned reserve reaches 30% of the Company's capital.

- The Company has not formed statutory reserve due to its reaching 50% of the paid-up capital (according to the old Company's by-laws).

15 -Defined employees' benefit plan obligations

The Company's policy state that the eligibility of the defined employee benefit plan obligation for all employees who complete the qualifying service period under the Labor Law in the Kingdom of Saudi Arabia.

The annual provision is based on the actuarial valuation. The most recent actuarial valuation was performed by an independent actuary, using the projected unit credit method.

A- The following is the main actuarial assumptions

	2022	2021
Discount rate	**4.5%**	1.9%
Salary increment	**4.5%**	1.9%

15 -Defined employees' benefit plan obligations (continued)

B- The movement of defined employees' benefits plan for the two years ended in December 31, as follows:

	2022	2021
	SR	SR
Balance, beginning of the year	**13,857,866**	16,771,895
Recognized in the statement of the profit or losses		
Interest cost and current service cost	**1,580,357**	1,479,466
Recognized in the statement of other comprehensive income		
Re-measurement gain of defined employees' benefit plan obligations	**(530,668)**	(10,161)
Paid during the year	**(2,151,866)**	(4,383,334)
Balance, ending of the year	**12,755,689**	13,857,866

16 -Accruals and other liabilities

A- This item consists of the following:

	2022	2021
	SR	SR
Employees' salaries and benefits	**2,205,752**	2,067,334
Accruals to related parties - C	**2,037,500**	2,476,000
VAT payable	**734,645**	904,661
Other	**2,063,471**	1,321,900
	7,041,368	6,769,895

B- The related parties' balances represent the fees for attending meetings and bonuses for members of the Board of Directors in addition to salaries and other benefits for members of higher management.

C- The balances due to the related parties as at December 31, as follows:

Related party	**2022 SR**	2021 SR
Board of directors and related committees	**1,961,000**	2,017,000
Senior management	**76,500**	459,000
	2,037,500	2,476,000

D- The significant transactions with related parties for the two years ended in December 31, as follows:

Related party	**Type of transaction**	**2022 SR**	2021 SR
Board of Directors and related committees	Board, committees' remunerations and meeting attendance fees	**1,908,000**	1,982,000
Senior Management	Salaries and other benefits	**4,245,000**	7,065,920

17 -Zakat provision

A- The movement of the zakat provision for the two years ended in December 31, as follows:

	2022	2021
	SR	SR
Balance, beginning of the year	**2,878,061**	3,212,536
Charge during the year	**3,042,105**	2,397,236
Paid during the year	**(3,060,570)**	(2,731,711)
Balance, ending of the year	**2,859,596**	2,878,061

17 -Zakat provision (continued)

B- The main components of the zakat base for the two years ended in December 31, as follows:

	2022 SR	2021 SR
Equity	**276,933,869**	278,979,049
Adjusted (loss) profit for zakat	**(4,140,214)**	1,821,361
Additions	**38,632,134**	37,265,336
Deductions	**(196,473,696)**	(202,943,296)
Zakat base	**114,952,093**	115,122,450
Zakat	**2,859,596**	2,397,236

C- Zakat Status

- The company submitted zakat returns and financial statements to the Zakat, Tax and Customs Authority until 2021, and paid the dues according to those declarations and obtained the required certificates.

- The Company has finalized its Zakat status for the years 2017, 2019, and 2020. No zakat assessments were received for the year 2018.

18 -Segment information

A- The Company presents segment information based on the geographical division of sales, as the Company has customers inside and outside the Kingdom of Saudi Arabia, as follows:

	December 31, 2022		
	Inside KSA SR	**Outside KSA SR**	**Total SR**
Sales, net	**72,959,251**	**3,390,644**	**76,349,895**
Cost of sales	**(68,740,622)**	**(3,194,592)**	**(71,935,214)**
Gross profit	**4,218,629**	**196,052**	**4,414,681**
	December 31, 2021		
	Inside KSA SR	Outside KSA SR	Total SR
Sales, net	86,737,243	1,978,091	88,715,334
Cost of sales	(65,715,997)	(1,498,565)	(67,214,562)
Gross profit	21,021,246	479,526	21,500,772

B- The following is the details of global sales according to geographical segment:

	2022		2021	
	SR	**Ratio**	SR	Ratio
Belgium	**3,108,594**	**4.072%**	502,797	0.567%
Kuwait	**219,829**	**0.288%**	-	-
China	**39,986**	**0.052%**	41,514	0.047%
Qatar	**22,235**	**0.029%**	12,207	0.014%
Yemen	-	-	1,421,573	1.602%
	3,390,644	**4.441%**	1,978,091	2.230%

19 -Selling and marketing expenses

	2022 SR	2021 SR
Freight expenses	**5,147,104**	3,944,884
Employees' salaries and benefits	**1,086,627**	1,137,497
Other	**17,535**	15,028
	6,251,266	5,097,409

20 -General and administrative expenses

	2022 SR	2021 SR
Employees' salaries and benefits	**14,084,799**	13,455,397
Allowances and bonuses for board members - note 16 / d	**1,908,000**	1,982,000
Professional and consulting fees	**659,673**	284,795
Depreciation of right of use assets - note 7	**247,299**	246,356
Bank charges	**232,320**	226,000
Insurance and medical expenses	**188,651**	164,964
Travel and transportation	**74,401**	38,150
Maintenance	**27,647**	107,993
Other	**754,748**	973,357
	18,177,538	17,479,012

21 -Other income

A- This item consists of the following:

	2022 SR	2021 SR
Insurance compensation - B	**13,074,745**	-
Gain (loss) exchange rates	**446,570**	(48,101)
Support from the Human Resources Development Fund	**305,915**	259,450
Adjustments of right of use assets and leases obligations	**248,081**	(95,368)
Gain (loss) from sale of property, machines, and equipment	**8,996**	(2)
Write-off of contract obligations with clients	-	1,388,482
Gain from financial claims and lawsuit	-	150,000
Discounts on other credit balances	-	39,138
Other gains (loss)	**401,819**	(78,164)
	14,486,126	1,615,435

B- This amount represents the final compensation settlement received from the insurance Company as a result of the fire that occurred in the Company's first factory (note 23).

22 -Loss per share

Basic and diluted loss per share is calculated from the net loss for the year by dividing the net loss for the year by the weighted average number of shares outstanding as at the end of the year which is 15 million shares. Basic and diluted loss per share from main operations is calculated by dividing the net loss from main operations for the year by the weighted average number of outstanding shares as at the end of the year which is 15 million shares. A diluted share loss is the same as a basic share loss since the Company does not have any dilutive equity.

	2022 SR	2021 SR
Net loss from the main operation	**(20,014,123)**	(1,075,649)
Net loss for the year	**(8,762,676)**	(2,055,341)
The weighted average number of outstanding shares at the end of the year	**15,000,000**	15,000,000
Basic and diluted net loss per share from main operations	**(1.33)**	(0.07)
Basic and diluted loss per share from net loss for the year	**(0.58)**	(0.14)

23 -Significant Matters

Further to the procedures taken by the Company regarding the fire that occurred in the Company's first factory, the Company has received an amount of SR 13,074,745 during 2022, which represents the final settlement with the insurance Company. The procedures for restoring the building and receiving machinery to restart start the operation in the first factory again, are still in process as at the date of preparing the financial statements. It is expected that the factory will be restarted start at the beginning of the third quarter of 2023. The production process in the second factory of the Company continues normally, and the management believes that it is able to provide all the needs of customers without delay until work resumes. in the damaged section in the first factory in the Company.

24 -Financial instruments, risk management and fair value

Financial instruments

Financial instruments included in the statement of financial position mainly include cash at banks, receivables, prepaid expenses, other assets, accounts payable, accrued expenses and other liabilities.

Risk Management

The Company's management has overall responsibility for setting and supervising the Company's risk management frameworks. The Company's risk management policies have been developed to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adhere to those limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. Through its training and management procedures and standards, the Company aims to have a constructive and regular control environment in which employees are aware of their responsibilities and obligations.

Credit risk

Credit risk represents the risk of financial loss that the Company faces in the event that the customer or counterparty in a financial instrument fails to fulfill its contractual obligations, and it mainly arises from cash in banks and receivables. The maximum exposure to credit risk represents the carrying value of these assets.

The cash balance is represented in current accounts, and as the cash is deposited with financial institutions with high credit ratings, the management believes that the Company is not exposed to significant risks. Credit risk related to customers is managed by the business unit which is subject to the Company's policies, procedures and controls on managing credit risk related to customers. Credit limits are set for all customers using internal and external rating criteria and controls. The credit quality of customers is assessed according to a credit rating system.

The following is a detail of the credit risks to which the Company is exposed:

	2022 **SR**	2021 SR
Account receivables	**54,007,586**	63,941,701
Cash at banks	**39,128,661**	36,223,533
	93,136,247	100,165,234

Market risk

Market risk is the risk of the potential impact of changes in market prices such as foreign exchange rates and commission rates. The objective of market risk management is to manage and control exposure to market risks within acceptable limits while achieving the highest possible return.

24 - Financial instruments, risk management and fair value (continued)

Risk Management **(continued)**

Market risk **(continued)**

Foreign exchange rate risk: Foreign exchange rate risk results from changes and fluctuations in the value of financial instruments as a result of changes in foreign exchange rates. The Company's foreign currency risk management aims to protect future cash flows in Saudi Riyals, US Dollars and European Euros. Foreign currency exposures related to cash flows are considered at the Company level and mainly consist of currency exchange risks arising from accounts payable and receivable. The Company's management monitors currency exchange rates and believes that the risks of fluctuations in currency exchange rates are not significant.

Commission rate risk: Commission risk arises from possible changes and fluctuations in commission rates that affect future profit or fair values of financial instruments. The Company monitors commission rate fluctuations and believes that the effect of commission rate risk is ineffective.

Capital risk

The main objective of the Company's capital management is to support its business and increase the return to the owners.

The Company's policy is to maintain a strong capital base to maintain the confidence of the users of the financial statements and to maintain the future development of the business. The Company manages its capital structure and adjusts it in light of changes in economic conditions. The management monitors the return on capital, which the Company determines as a result of operating activities divided by total equity. There were no changes in the Company's method of managing capital during the year. The management also monitors the level of dividends for the owners. The Company has not been subject to externally imposed capital requirements.

The following is an analysis of the Company's debt to equity ratios at the end of the year:

	2022 **SR**	2021 SR
Total liabilities	**30,723,699**	36,482,403
Less: Bank balances	**(39,128,661)**	(36,223,533)
Net	-	258,870
Total equity	**268,701,861**	276,933,869
The ratio of Liability to equity	-	0.09%

Liquidity risk

Liquidity risk represents the Company's difficulties in meeting commitments associated with its financial liabilities. The Company's approach to managing liquidity risk is to maintain sufficient cash and cash equivalents and ensure that funds are available to meet commitments as they fall due.

The management monitors the risk of liquidity shortage using forecast models to determine the effects of operating activities on the overall liquidity availability, and maintains an available cash liquidity ratio, which ensures debt repayment when due.

The table below summarizes the maturity dates of the Company's financial liabilities based on contractual undiscounted payments:

24 - Financial instruments, risk management and fair value (continued)

Liquidity risk **(continued)**

As at December 31, 2022	**1 – 12 Months SR**	**1 -5 Years SR**	**More than 5 Years SR**	**Indefinite term SR**	**Total SR**
Lease obligations	**654,861**	**2,339,725**	**976,749**	-	**3,971,335**
Defined employees benefit plan obligations	-	-	-	**12,755,689**	**12,755,689**
Accruals and other liabilities	**7,041,368**	-	-	-	**7,041,368**
Contract obligation with clients	**774,395**	-	-	-	**774,395**
Accounts payable	**3,238,853**	-	-	-	**3,238,853**
Zakat provision	**2,859,596**	-	-	-	**2,859,596**
Total	**14,569,073**	**2,339,725**	**976,749**	**12,755,689**	**30,641,236**

As at December 31, 2021	1 – 12 Months SR	1 -5 Years SR	More than 5 Years SR	Indefinite term SR	Total SR
Lease obligations	654,861	2,339,725	1,814,828	-	4,809,414
Defined employees benefit plan obligations	-	-	-	13,857,866	13,857,866
Accruals and other liabilities	6,769,895	-	-	-	6,769,895
Contract obligation with clients	769,082	-	-	-	769,082
Accounts payable	7,315,622	-	-	-	7,315,622
Zakat provision	2,878,061	-	-	-	2,878,061
Total	18,387,521	2,339,725	1,814,828	13,857,866	36,399,940

Fair value

It represents the value at which assets are exchanged or liabilities are settled between knowledgeable and willing parties on fair dealing terms. Financial instruments consist of financial assets and financial liabilities. The Company's management believes that the fair value of financial assets and liabilities are not materially different from their book values.

25 - Contingent liabilities and outstanding legal issues

A- The Company has banking facilities in the form of letters of guarantee for government agencies by local banks as at December 31, 2022 for a total amount of SR 14.848 million (2021: SR 14.755 million).

B- The Company has purchase commitments related to purchase of machinery and equipment amounting to EUR 172,140 (SR 688,939 as at December 31, 2022).

C- There are existing claims and financial claims by the Company as follows:

- A lawsuit filed by the Company (in its capacity as plaintiff) against the Commercial Services and Agencies Co. Ltd. (as the defendant). The court assigned an accounting expert to examine the case, and at the end of his report he concluded that the plaintiff was entitled to sums of SR 3,305,778, and the expert concluded that the defendant had suffered damages from not executing purchase orders worth 1 million Saudi riyals. The case was returned to the expert, and a session was set later for the report to be received. Awaiting verdict.
- The Company has financial claims in which Bin Sammar Company claims an amount of SR 5,327,618. The financial claim was submitted to Al Ain Office by the Bankruptcy Commission (Bassam Muhammad Al-Baqawi Office), which is following up on the financial reorganization of Bin Samar Company, and accordingly these financial claims were approved in full amount by the commission.

25 -Contingent liabilities and outstanding legal issues (continued)

C- There are existing claims and financial claims by the Company as follows: (continued)

- The Company has financial claims in which Azmeel Company claims an amount of SR 194,630. The financial claim was submitted to the Bankruptcy Committee (Ghassan Muhammad Al Majid Office), which is following up on the financial reorganization of Azmeel Company, and accordingly these financial claims were approved in full.

- The Company has financial claims in which Haider Saleh Al Haider and his partner Company is claiming an amount of SR 833,476. The final judgment in the case was issued in favor of the Company and it was submitted to the Execution Court and the necessary decisions in this regard were issued and awaiting implementation.

- The Company has financial claims in which Al-Mashareq Trading and Contracting Company claims an amount of SR 610,445. The final judgment in the case was issued in favor of the Company and was submitted to the Execution Court. The necessary decisions in this regard were issued and awaiting implementation.

The Company has covered these amounts within the provision for expected credit losses.

D- The Company has obligations for annual operating lease contracts that represent the minimum lease payments payable. The minimum amounts are not subject to cancellation in exchange for the rental of residential facilities.

	2022	2021
	SR	SR
Within one year	**148,650**	148,650

26 -Subsequent events

The Management believes that there are no significant subsequent events after the reporting date and before issuing of these financial statements that require their amendment or disclosure.

27 -Approval of financial statements

The financial statements were approved by the Board of Directors after the recommendation of the members of the audit committee to approve them on 12 Sha'ban 1444AH (4 March, 2023).