AL ABDULLATIF INDUSTRIAL INVESTMENT COMPANY
A SAUDI JOINT-STOCK COMPANY
RIYADH - KINGDOM OF SAUDI ARABIA

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023

AL ABDULLATIF INDUSTRIAL INVESTMENT COMPANY
(A Saudi joint-stock company)

Consolidated Financial statements for the year ended December 31, 2023 and independent auditor's report

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El Sayed El Ayouty & Co.
Certified Public Accountants

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Independent Auditor's Report

TO THE SHAREHOLDERS
AL ABDULLATIF INDUSTRIAL INVESTMENT COMPANY
A SAUDI JOINT-STOCK COMPANY
RIYADH - KINGDOM OF SAUDI ARABIA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Al Abdullatif Industrial Investment Company (a Saudi joint stock company) (the "Company") and its subsidiaries (collectively referred to as the "Group") which comprise the consolidated statement of financial position as at December 31, 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in shareholders' equity and the consolidated statement of cash flows for the year then ended, and the accompanying notes (1) to (33) to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the financial position of the Company as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) as endorsed in the Kingdom Saudi and other standards and pronouncements that are issued by the Saudi Organization for Auditors and Accountants.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), 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 the conduct. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report

TO THE SHAREHOLDERS
AL ABDULLATIF INDUSTRIAL INVESTMENT COMPANY
A SAUDI JOINT-STOCK COMPANY
RIYADH - KINGDOM OF SAUDI ARABIA

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

Key audit matters

The Key Audit matters are those matters that, in our professional judgment, were of most significance in the course of our audit of the consolidated financial statements for the current year. These matters were addressed in the context of our overall audit of the consolidated financial statements, and in forming our opinion thereon, we did not provide a separate opinion on those matters.
The following are description of each of the key audit matters and how we addressed them:

Key audit matters	**During the audit, we addressed the key audit matters as follows:**
Revenue Recognition	
Revenue recognition is considered a key audit matter as revenue is an important element of the Group's performance and results and includes inherit risks that may cause the management to override the internal control procedures by recognizing revenues with more than their actual value in order to achieve the goals or to improve the Group's results. As stated in note (22), the Group's total revenue as at December 31, 2023 amounted to SR522.60 million (2022: SR647,50 million).	The audit procedures which we performed, among other matters based on our judgment, included the following: • Tested the design of the internal control procedures and their operational efficiency in relation to recognition of revenue and the related accounts receivables. • Tested the cut-off procedures to ensure recording of revenue in their correct periods. • Performed analytical procedures to understand the causes of revenue variance compared with the previous year and verify their appropriateness and whether there are significant fluctuations which need additional review in the light of our understanding of the current market conditions. • Performed detailed tests to a sample of the sold products and verify the proper application of revenue recognition policy. • Verified the appropriateness of the accounting policy to realize the Group's revenue in accordance with the requirements of IFRS 15: Revenue from Contracts with Customers. • To verify the adequacy and completeness of the disclosures related to revenues in the financial statements.
* Refer to notes (3.18) to the consolidated financial statements regarding the accounting policy related to revenue.	

Recoverability of trade receivables	
The collectability of trade receivables is considered a key audit matter being a major element by the Group Management for the working capital that is managed on an ongoing basis، and because the determination of impairment of trade receivables using expected credit losses models includes significant judgments and estimates that may have a material impact on the Group's consolidated financial statements. Management makes significant judgments, estimates and assumptions to measure and record expected credit losses. As indicated in note (10), the total balance of trade receivables as of December 31,2023 amounted to SR489.77 million (2022: SR460 million), and a provision of SR26.88 million (2022: SR23 million) was made for expected credit losses as at December 31,2023.	The audit procedures which we performed, among other matters based on our judgment, included the following: • Tested the Group's procedures for controlling receivables, including controls over credit terms. • Tested a sample of receivable balances being provided for during the year to determine the appropriateness of judgments, estimates and assumptions set by the Management, and to assess the approaches performed by the Group in order to determine the probability of default and the extent of including the information related to the future expectations when accounting for the expected credit losses. • Performed an analysis of significant receivables that are more than one year old and no provision has been made for them by the Group's Management, taking into account the collections of the subsequent period to determine whether there are indicators of impairment. • Reviewed arrangements and/or correspondence with internal and external clients' receivables for the purpose of assessing collectability of long-standing overdue material amounts. • Evaluated the adequacy of the disclosures included in the financial statements in accordance with the requirements of IFRS 9: Financial Instruments and IFRS 7: Disclosures.
* Refer to note (3.17) to the consolidated financial statements of the accounting policy related to financial instruments.	

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Certified Public Accountants

Independent Auditor's Report

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A SAUDI JOINT-STOCK COMPANY
RIYADH - KINGDOM OF SAUDI ARABIA

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

Key audit matters (Continued)

Inventory valuation	
Inventory is considered a key audit matter due to the nature of the activity of the Group that depends primarily on the inventory in generating revenue and the extent of its impact on business results، and because the valuation of inventory and determination of its impairment require using several key assumptions and estimates that may have a material impact on the Group's consolidated financial statements. As stated in note (9), the total inventory balance as at December 31, 2023 amounted to SR319.98 million (2022: 344.48 million). A provision was created for impairment of inventory as at December 31,2023 amounting to SR6,6.66 million (2022: SR6.06 million).	The audit procedures which we performed, among other matters based on our judgment, included the following: • We attended and observed the Group's annual inventory count as of December 31, 2023 to verify the physical existence and the good condition of a sample being randomly selected from items. • Tested the validity of inventory measurement at the lower of cost or net recoverable value. Also, we reviewed the Company's policy to determine the cost using the weighted average method. • Tested the reasonableness of estimates used by the Group to examine the impairment of obsolete and slow-moving inventory. • Evaluated the adequacy of the disclosures included in the financial statements in accordance with the requirements of the relevant IFRS.
* Refer to note (3.6) to the consolidated financial statements of the accounting policy related to inventory.	

Other information
Other information consists of the information included in the Group's annual report for the year ended December 31, 2023 other than the consolidated financial statements and the independent auditor's report thereon. The Group's Management is responsible for the other information received in its annual report. It is expected that the annual report will be available to us subsequent to the date of this auditor's report.

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

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

If we conclude that there is a material misstatement in this other information, based on the work we have performed, we are required to report that fact 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 the IFRS as endorsed in the Kingdom Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Auditors and Accountants (SOCPA), and the provisions of the Companies Law and Articles of Association 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 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 unless realistic alternative but to do so.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management of the Group.
- To 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 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 notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.
- Obtain sufficient and 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 the Group's audit. We remain solely responsible for the 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 provided those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and we communicated with them all relationships and other matters that may reasonably affect our independence, and related safeguards, if required.

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

For El Sayed El Ayouty & Co.

A. Balamesh

Abdullah A. Balamesh
Certified Public Accountant
License No. (345)

Riyadh on: 20 Ramadan 1445 H
Corresponding to: 30 March 2024

Al Abdullatif Industrial Investment Company
(A Saudi joint-stock company)

Consolidated statement of financial position as at December 31, 2023
(All amounts in Saudi Riyals unless otherwise stated)

	Note	31/12/2023	31/12/2022
Assets			
Non-current assets			
Property, plant and equipment - net	5	459,927	472,617
Investment properties - at cost	6	87,005	87,005
Right-of-use assets - net	7.1	14,051	15,603
Investments at fair value through other comprehensive income (FVOCI)	8	101,000	102,084
Total non-current assets		**661,983**	**677,309**
Current assets			
Inventory - net	9	313,326	338,419
Trade receivables - net	10	462,891	436,998
Due from related parties	11.1	47,300	43,753
Prepayments and other debit balances	12	18,086	27,855
Investments at fair value through profits or losses	13	1,996	1,765
Cash and cash equivalents	14	57,119	82,504
Total current assets		**900,718**	**931,294**
Total assets		**1,562,701**	**1,608,603**
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	15	812,500	812,500
Statutory reserve	16	-	241,429
Reserve of valuation of investments at fair value		10,537	11,621
Surplus of revaluation of property, plant and equipment	5	241,871	243,200
Retained earnings / accumulated /(losses)		136,243	(27,275)
Total Shareholders' equity		**1,201,151**	**1,281,475**
Non-current liabilities			
Lease obligations - non-current portion	7.2.2	13,708	15,222
Employees' defined benefit obligations	17	22,526	19,889
Total non-current liabilities		**36,234**	**35,111**
Current liabilities			
Banks - credit facilities	18	239,461	222,803
Lease obligations - current portion	7.2.1	1,482	1,411
Trade payables	19	46,896	31,667
Due to related parties	11.2	147	157
Accrued expenses and other credit balances	20	14,849	15,497
Dividends payable		481	481
Provision for zakat	21.3	22,000	20,001
Total current liabilities		**325,316**	**292,017**
Total liabilities		**361,550**	**327,128**
Total Shareholders' Equity and Liabilities		**1,562,701**	**1,608,603**

The accompanying notes from (1) to (33) form an integral part of these consolidated financial statements, which were approved by the Company's Board of Directors and signed on behalf of the following:

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

Al Abdullatif Industrial Investment Company
(A Saudi joint-stock company)

Consolidated statement of profit or loss and other comprehensive income For the year ended December 31, 2023

(All amounts in Saudi Riyals unless otherwise stated)

	Note	2023	2022
Revenue	22	522,605	647,504
Cost of revenue	23	(533,456)	(640,068)
Gross (loss) / profit		**(10,851)**	**7,436**
Selling and marketing expenses	24	(15,980)	(24,475)
General and administrative expenses	25	(21,044)	(20,514)
Other income	26	7,537	4,837
(loss) from operating activities		**(40,338)**	**(32,716)**
Net cost of finance	27	(14,971)	(6,236)
Dividends income		96	70
Profits of valuation of investments at fair value through profits or losses	13	231	1,015
Net (loss) for year before Zakat		**(54,982)**	**(37,867)**
Zakat	21.3	(19,808)	(20,000)
Net (loss) for the year		**(74,790)**	**(57,867)**
Other comprehensive income:			
Items that will not be re-classified to profit or loss:			
Actuarial (losses) of re-measurement of employees' defined benefits	17	(3,121)	(2,891)
Revaluation of investments at fair value	8	(1,084)	4,130
Revaluation of property, plant and equipment	5	(1,329)	243,200
Other comprehensive (loss) / income items		**(5,534)**	**244,439**
Comprehensive (loss) / income for the year		**(80,324)**	**186,572**
Net (loss) for the year attributable to:			
Company's Shareholders		(74,790)	(57,867)
Net (loss) for the year		**(74,790)**	**(57,867)**
Comprehensive (loss) / income for the year attributable to:			
Company's Shareholders		(80,324)	186,572
Comprehensive (loss) / income for the year		**(80,324)**	**186,572**
Basic and diluted (loss) per share attributable to the Company's Shareholders			
Net (loss) for the year "Saudi riyals"	**28**	**(0,92)**	**(0,71)**

The accompanying notes from (1) to (33) form an integral part of these consolidated financial statements, which were approved by the Company's Board of Directors and signed on behalf of the following:

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

Al Abdullatif Industrial Investment Company
(A Saudi joint-stock company)

Consolidated statement of changes in shareholders' equity for the year ended December 31, 2023
(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Reserve of valuation of investments at fair value	Surplus of revaluation of property, plant and equipment	Retained earnings / accumulated /(losses)	Total Shareholders' equity
For the year ended 31 December 2022						
Balance at 01 January 2022	812,500	241,429	7,491	-	33,483	1,094,903
Net (loss) for the year	-	-	-	-	(57,867)	(57,867)
Other comprehensive income for the year	-	-	4,130	243,200	(2,891)	244,439
Net (loss) for the year and other comprehensive income	-	-	4,130	243,200	(60,758)	186,572
Balance at 31 December 2022	**812,500**	**241,429**	**11,621**	**243,200**	**(27,275)**	**1,281,475**
For the year ended 31 December 2023						
Balance at 01 January 2023	812,500	241,429	11,621	243,200	(27,275)	1,281,475
Net (loss) for the year	-	-	-	-	(74,790)	(74,790)
Other comprehensive loss for the year	-	-	(1,084)	(1,329)	(3,121)	(5,534)
(Loss) for the year and other comprehensive (loss) for the year	-	-	(1,084)	(1,329)	(77,911)	(80,324)
Statutory reserve transferred to accumulated (losses)	-	(241,429)	-	-	241,429	-
Balance at 31 December 2023	**812,500**	**-**	**10,537**	**241,871**	**136,243**	**1,201,151**

The accompanying notes from (1) to (33) form an integral part of these consolidated financial statements, which were approved by the Company's Board of Directors and signed on behalf of the following:

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

Al Abdullatif Industrial Investment Company
(A Saudi joint-stock company)

Consolidated statement of cash flows for the year ended December 31, 2023
(All amounts in Saudi Riyals unless otherwise stated)

	Note	2023	2022
Cash flows from operating activities			
Net (loss) for the year		(74,790)	(57,867)
Adjustment for Net (loss) for the year:			
Dividends income		(96)	(70)
Depreciation on property, plant and equipment		47,798	46,863
Profits from sale of property, plant and equipment		(1,989)	(548)
Depreciation of right-of-use assets		1,552	1,554
Profits of valuation of investments at fair value through profits or losses		(231)	(1,015)
Interests on bank facilities		14,152	5,356
Interests on leases		819	886
Impairment of inventory		746	854
Expected credit loss		3,875	4,000
Employees' defined benefit obligations		4,310	6,162
Provisions reserved		(153)	(255)
Zakat		19,808	20,000
		15,801	**25,920**
Changes during the year in:			
Inventory		24,500	11,270
Trade receivables		(29,768)	(30,402)
Due from related parties		(3,547)	(2,400)
Prepayments and other debit balances		9,769	13,420
Trade payables		15,229	1,036
Due to related parties		(10)	10
Accrued expenses and other credit balances		(648)	(1,273)
Zakat paid		(17,809)	(21,769)
Employee defined benefit obligations - paid		(4,794)	(6,000)
Net cash flows from /(used in) operating activities		**8,723**	**(10,188)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(37,346)	(47,697)
Proceeds from sale of property, plant and equipment		2,915	549
Dividends income		96	70
Purchase of investments at FVTOCI		-	(3,150)
Proceeds from sale of investments at FVTPL		-	8,200
Net cash flows (used in) investing activities		**(34,335)**	**(42,028)**
Cash flows from financing activities			
Finance obtained from banks - credit facilities		411,798	336,158
Finance from banks - credit facilities paid		(409,309)	(271,662)
Lease liabilities paid		(2,262)	(2,206)
Net cash flows from financing activities		**227**	**62,290**
Net (decrease) / increase in cash and cash equivalents		**(25,385)**	**10,074**
Cash and cash equivalents at beginning of year		82,504	72,430
Cash and cash equivalents at year-end	**14**	**57,119**	**82,504**
Supplemental information on non-cash transactions			
Surplus of revaluation of property, plant and equipment		(241,871)	(243,200)
Disposal of leased assets against liabilities of finance leases		-	1

The accompanying notes from (1) to (33) form an integral part of these consolidated financial statements, which were approved by the Company's Board of Directors and signed on behalf of the following:

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

Notes to the consolidated financial statements for the year ended December 31, 2023
(All amounts in Saudi Riyals unless otherwise stated)

1- GENERAL INFORMATION
1.1 Al Abdullatif Industrial Investment Company ("the company") is a Saudi joint stock company incorporated in accordance with the Saudi Companies Law pursuant to Ministerial Resolution No. 3120 on 23/10/1427H (14/11/2006) and Ministerial Resolution No. 188 on 27/7/1427H (17/1/ 2007), upon which the Company received the approval to convert from a limited liability company to a Saudi joint stock company. The Company is registered in the commercial registration of Riyadh under No. 1010073685 on 26/2/1410H (26/9/1989) valid until 25/2/1447H (19/8/2025).
On the 15th of Jumada al-Thani 1445H, corresponding to December 28, 2023, the extraordinary general assembly decided to amend the company's articles of association to comply with the new Companies Law.
The address of its head office is Riyadh, P.O. Box: 859, Postal Code 11421.

1.2 Main activities of the Company
Rug manufacturing including (prayer and travel rugs) and carpet manufacturing under industrial license No. 411 on 13/2/1439 H.

1.3 The consolidated financial statements as of December 31, 2023 include the financial statements of the Parent Company and the following subsidiaries, collectively referred to as the "Group":

Name of subsidiary	Type	Headquarters	Principal activity	Shareholding %
National Spinning Company	LLC	KSA	Yarn production	100%
Eastern Textiles Company	LLC	KSA	Polypropylene yarn production	100%
Western Textiles Company	LLC	KSA	Polypropylene yarn production	100%
Adfa Blanket Company	LLC	KSA	Production of blankets	100%
Nadeen Arabian Color Company	LLC	KSA	Masterbatch production	100%
Shahd Paper Tube Factory	LLC	KSA	PVC tubes	100%
First Carpet Company	LLC	KSA	Carpet backing production	100%
Al Abdullatif Training Institute	LLC	KSA	Training services	100%
Retaj Al Waseel Company	LLC	KSA	Catering and transportation services Employees	100%

* The ownership percentages mentioned above have not changed and are for the two years, the year ended on December 31, 2023, and the year ended on December 31, 2022.

1.4 The Group's fiscal year begins on January 1st and ends on December 31st of each calendar year. The presented financial statements are for the year ended December 31, 2023 compared to the year ended December 31, 2022.

2. BASIS OF PREPARATION

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

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

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

The financial statements of the subsidiaries are consolidated in full from the date of acquisition being the date when control is transferred to the Group. Consolidation continues until the date of such control ceases.
The Group applies the acquisition method to account for business combinations.
Inter-company transactions, balances, income, expenses, unrealized gains and losses on transactions and dividends are eliminated in full.

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

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

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

These estimates and assumptions are reviewed on an ongoing basis and the effects arising from adjustment of the accounting estimates are recognized in the period in which such adjustment is made and the subsequent periods. The assumptions and estimates are particularly represented in the application of accounting policies that have significant impact on the amounts recognized in the financial statements.

The most significant accounting judgments, estimates and assumptions

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

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

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

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

The following notes include information about other judgments
Note (3.4) classification of leases

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

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

2.5.2 Assumptions and estimates... (Continued)

Useful lives of property, plant plant equipment
The Management determines the estimated useful lives of property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the assets, useful lives or physical wear and tear.
Management reviews the residual value of useful lives annually to verify that it reflects the expected benefit to be obtained. If it differs from previous estimates, changes in depreciation expense in current and future periods are adjusted, if any.

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

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

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

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

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

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

When there are indications that a recognized impairment loss in prior periods may To longer exist or have decreased, impairment loss is reversed only to the extent that it does not exceed the previously recognized impairment loss.

The following notes include information on assumptions and other estimates of uncertainty
- Note (3.6) Impairment of inventory
- Note (3.12) Measurement of employees' defined benefit obligations
- Note (3.14) Provisions
- Note (3.17.1) Impairment of financial assets measured at cost or amortized cost

3. Significant accounting policies

3.1 Current/non-current classification of assets and liabilities

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

Assets

• An asset is classified as current when:
• It is expected to be realized or intended to be sold or consumed in normal operating cycle;
• It is held primarily for the purpose of trading;
• It is expected to be realized within twelve months after the reporting period; or
• is cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

Liabilities

A liability is classified as current when:
• It is expected to be settled in normal operating cycle;
• It is held primarily for the purpose of trading;
• It is due to be settled within twelve months after the reporting period;
• 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.

Initial recognition

Property, plant and equipment are measured at cost, which includes the purchase price and any costs incurred in bringing the asset to the location and condition necessary for it to be capable of operating in the intended manner. The cost of self-constructed assets includes direct labor and material costs and costs attributable directly to getting the asset in condition for its intended use and the costs of dismantling and removing the item and restoring the site on which it is located.

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

Subsequent measurement

When measuring each item of property, plant and equipment, the Company chooses between the cost model or the revaluation model and applies that policy to each entire category of property, plant and equipment, according to the following:

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

Revaluation mode: Property, plant and equipment are measured at a revalued amount, which represents the fair value at the date of revaluation less the subsequent accumulated depreciation and subsequent accumulated impairment. If the carrying amount of an asset has increased as a result of revaluation, the surplus of revaluation will be recognized in other comprehensive income and combined under equity. If the carrying amount of an asset has decreased as a result of revaluation, the surplus of revaluation will be recognized in profit and loss.

3.2 Property, plant and equipment

Subsequent costs of acquisition
The cost of replacing a part of an item of property, plant and and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized.
The costs of the day-to-day servicing of property, plant and equipment are recognized in the statement of profit and loss as incurred.

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

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

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

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

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

Derecognition
An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal.
Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within the statement of profit and loss.

3-3 Capital work in progress
Capital work in progress at year end includes certain assets that have been acquired but are not ready for their intended use. Capital work in progress is stated at cost less any recorded impairment. These assets are transferred to relevant assets categories and are depreciated once they are available for their intended use.

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

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

Right-of-use assets
Right-of-use assets are measured at cost comprising the following:
- The amount of initial recognition of lease liabilities;
- Lease payments made at or before the commencement date minus lease incentives received;
- Any initial direct costs; and
- Restoration costs.

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

3.4 Leasing… (continued)

Lease obligations
Lease obligations are initially measured at the present value of lease payments that are not paid at the inception of the lease, which include:
- Fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- Variable lease payments that depend on an index or a rate;
- Amounts expected to be paid under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

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

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

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

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

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

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

3.6 Inventories
Inventories are measured at lower of cost and net realizable value.
The cost is determined as follows:
- **Raw materials**: The cost includes the costs of purchasing materials and all expenses incurred to bring them to their present location. The cost is measured using the weighted average method.

- Work in progress and finished goods: It includes the cost of materials used in production in addition to the cost of direct labor and all other direct and indirect expenses incurred in connection with converting the product and bringing it to its present location and condition.
Net realizable value is the estimated selling price in the ordinary course of business, less any expected costs of completion and the estimated selling costs.

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

3.7 Related party transactions

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

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

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

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

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

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

3.8 Accounts receivable

The receivables are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest rate method, less any impairment losses on the receivables.

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

3.9 Cash and cash equivalents

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

3.10 Statement of cash flows

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

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

3.11 Account payables and accrued expenses

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

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

3.12 Employee benefits

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

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

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

3.12 Employee benefits…(continued)

The costs of the defined benefit obligations for the initial periods are calculated on an annual basis using the actuarially defined pensions cost rate at the end of the previous year, adjusted for significant market fluctuations and any significant onetime events, such as scheme adjustments or manpower cuts and reimbursements.
Actuarial gains and losses arising from remeasurement of defined benefit plan obligation are recognized in the statement of other comprehensive income. The Group calculates interest expense by applying the discount rate used to measure the net defined benefit obligation. The net interest expense and other expenses related to defined benefit plans recognized in the statement of profits or losses.

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

3.13 Zakat and tax

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

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

Value Added Tax
The net amount of VAT recoverable from, or payable to, the GAZT is included as for the part of receivables or payables in the statement of financial position.

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

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

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

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

3.16 Foreign currency translation

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

3.17 Financial Instruments

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

Relevant detailed accounting policies are as follows:

3.17.1 Financial assets

Initial recognition and measurement

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

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

Classification and subsequent measurement

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

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

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

- Financial assets at amortized cost

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

- Financial assets at fair value through other comprehensive income

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

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

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

3.17 Financial Instruments ...(continued)
3.17.1 Financial assets ...(continued)

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

Derecognition of financial assets
A financial asset is primarily derecognized when:
The contractual rights to the cash flows from the financial asset expire;
The Group transfers the rights to receive the contractual cash flows from the asset; The Company assumes a contractual obligation to pay the cash flows without a material delay to a third party ('pass through' transfers); or transfers or not substantially all of the risks and rewards of the asset or retains substantially all of the risks and rewards of ownership but does not retain control of the financial asset.

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

1- The expected credit loss over 12 months: This expected credit loss arises from default and potential default events within 12 months after the reporting date.

2- The expected credit loss over the life of the financial instrument: It is the expected credit loss that results from all default events over the expected life of the financial instrument. As for the expected credit loss over 12 months measurement is applied if the credit risks of financial assets have increased substantially at the reporting date since the initial recognition. The expected credit loss over 12 months measurement is applied if the credit risks have not increased substantially. The entity may determine that the credit risk does not increase substantially in case the instrument is exposed to low credit risks at the reporting date. However, the measurement of expected long-term credit losses is always applied to trade receivables and contract assets without any significant financing components. The entity may choose to apply this policy also to trade receivables and contract assets with significant financing components.

13.17.2 Financial liabilities

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

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

The arrangement constitutes a financing transaction if payment is deferred beyond normal business terms.
If the financial arrangement constitutes a financing transaction, the financial liability shall be measured at the present value of the future payments discounted at the market rate of interest for a similar debt instrument..
Trade payables that have a significant financing component or have a maturity of less than 12 months are measured at their transaction price (invoice).

3.17 Financial Instruments ...(continued)
13.17.2 Financial liabilities ...(continued)

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

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

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

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

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

Step 1: Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.
Step 2: Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
Step 3: Determine the transaction price: The transaction price is the amount to which the Group expects to be entitled in exchange for the transfer of goods and services to a customer. Transaction price is measured based on the fair value of the received consideration, after taking into account the agreed payment terms, excluding taxes, fees and amounts collected on behalf of third parties. These are recorded net of trade discounts and volume rebates.
Step 4: Allocate the transaction price to the performance obligations. Where a contract has multiple performance obligations. the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
Step 5: Recognize revenue when (or as) the Group satisfies a performance obligation.

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

Revenue includes only the total inflows of economic benefits received or receivable to which they relate. All amounts collected on behalf of a third-party account such as income taxes and value added taxes are excluded.
When the inflow of cash or cash equivalents is deferred and the agreement includes in substance a financing transaction, the fair value of the consideration is the present value of all future receipts that is determined using an imputed interest rate.

The imputed rate of interest is the more clearly determinable of either:
- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.
The difference between the present value of all future proceeds and the nominal amount of the consideration is recognized as interest income.

3.18 Revenue recognition…(continued)

The Group's revenue represents the following:

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

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

3.19 Cost of revenue
The cost of revenues consists of production costs and direct industrial expenses, including the cost of raw materials used in production, direct labor, other capital costs, and operational expenses associated with production.

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

3.21 Selling and marketing expenses and general and administrative expenses
Selling and marketing expenses include expenses incurred in selling and marketing the goods، which are not considered part of the cost of revenue.

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

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

3-23 Earnings per share
Basic earnings per share and diluted earnings per share (if any) are presented for ordinary shares. Basic earnings per share are calculated by dividing the Group's profit or loss attributable to common shareholders by the weighted average number of common shares outstanding during the year, after being adjusted by the number of ordinary shares repurchased or issued during the year. Diluted earnings per share is calculated by adjusting diluted profit or loss of the Group's ordinary shareholders and the weighted average number of shares outstanding during the year compared to dilutive potential ordinary shares.

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

(All amounts in Saudi Riyals unless otherwise stated)

3.25 Operating Sectors

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

4. Changes in significant accounting policies and new standards

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

No new IFRS standards have been applied; however, a number of IFRS amendments are effective as of January 1, 2023 but have no significant impact on the Company's financial statements. The following is a summary of the amendments applied by the Company:

Standard - Interpretation	Description	Effective date
IAS 1	Disclosure initiative: Accounting policies (IFRS Practice Statement 2 "Making Materiality Judgments"	01 January 2023
IAS 8	Amendments to "Accounting Policies" and changes in accounting estimates and errors related to definition of accounting estimates	01 January 2023
IAS 12	Amendments to "Income Taxes" of deferred Tax related to Assets and Liabilities arising from a Single Transaction	01 January 2023
IFRS 17	Amendments to initial application of insurance contracts	01 January 2023

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

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

Standard - Interpretation	Description	Effective date
IAS 1	Amendments to "Presentation of Financial Statements" to clarify classification of liabilities as current or non-current	01 January 2024
IAS 7 and IFRS 7	Amendments to the "Statement of Cash Flows" standard related to financing arrangements for transactions with suppliers, along with a subsequent amendment to the Statandard of Financial Instruments - Disclosures.	01 January 2024
IFRS 16	Amendments to the Leases Standard relating to sale and leaseback transactions and the assessment of whether a transfer of assets is a sale.	01 January 2024
The International Financial Reporting Standards (IFRS) - Sustainability 1, Sustainability 2	The International Accounting Standards Board has approved the issuance of the Sustainability Reporting Standards 1, related to the general requirements for disclosing financial information regarding sustainability, and Sustainability 2, related to climate-related disclosures. The Board has set the effective date for these standards for fiscal years beginning on or after January 1, 2024, or later.	Subject to the approval of the Saudi Organization for Auditors and Accountants.

(All amounts in Saudi Riyals unless otherwise stated)

5. Property, plant and equipment - net
5.1 For the year ended December 31, 2023

	Lands*	Buildings and roads **	Plant, equipment and main spare parts	Furniture, fixture and office equipment	Vehicles	Capital work in progress***	Total
Cost:							
Balance at 01 January 2023	10,625	220,598	1,819,892	110,352	33,570	6,397	220,1434
Additions during the year	-	-	7,346	858	295	28,847	37,346
Transfers	-	276	1,806	-	-	(2,082)	-
Disposals	-	-	(21,202)	-	(178)	(1)	(21,381)
Balance at 31 December 2023	**10,625**	**220,874**	**1,807,842**	**111,210**	**33,687**	**33,161**	**2,217,399**
Accumulated depreciation:							
Balance at 01 January 2023	-	(207,059)	(1,620,561)	(105,828)	(32,969)	-	(1,966,417)
Depreciation for the year (note 23)	-	(3,722)	(41,669)	(1,936)	(471)	-	(47,798)
Disposals	-	-	20,294	-	178	-	20,472
Balance at 31 December 2023	**-**	**(210,781)**	**(1,641,936)**	**(107,764)**	**(33,262)**	**-**	**(1,993,743)**
Provision for accumulated impairment:							
Balance at 01 January 2023	-	-	(5,600)	-	-	-	(5,600)
Balance at 31 December 2023	**-**	**-**	**(5,600)**	**-**	**-**	**-**	**(5,600)**
Revaluation surplus:							
Revaluation surplus at January 1, 2023	243,200	-	-	-	-	-	243,200
Change in surplus from revaluation during the year	(1,329)	-	-	-	-	-	(1,329)
Balance at 31 December 2023	**241,871**	**-**	**-**	**-**	**-**	**-**	**241,871**
Net carrying amount:							
As per the cost model	-	10,093	160,306	3,446	425	33,161	207,431
As per the revaluation model*	252,496	-	-	-	-	-	252,496
As of 31 December 2023,	**252,496**	**10,093**	**160,306**	**3,446**	**425**	**33,161**	**459,927**

Notes to the consolidated financial statements for the year ended December 31, 2023

(All amounts in Saudi Riyals unless otherwise stated)

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

* Based on the decision of the Capital Market Authority's board dated December 31, 2019, regarding allowing listed companies to use the fair value model or revaluation option for measuring real estate and investment properties starting from the year 2022, the Group has applied and adopted the use of the revaluation model for real estate included under the property, plant, and equipment category. This adoption was approved by the board of directors following a recommendation from the audit committee in its meeting held on May 8, 2022. The Group has evaluated the land located in the industrial city of Riyadh through appraisers accredited by the Saudi Authority for Accredited Valuers (Taqeem) at the date of the model's first-time use and at the date of the financial statements. The evaluation results were as follows:

Valuation company	Valuer	License No.	Basis for valuation	Valuation amount "in thousands SR" 31 December 2023	Valuation amount "in thousands SR" 31 December 2022
Hessab Real Estate Valuation Company	Fawaz Abdullah Al-Sharekh	1210001262	Comparable market value	-	253,825
Current Value Real Estate Valuation Company	Abdulkareem Albaseer	1210000606	Comparable market value	252.496	281,733
Summit Stars Real Estate Valuation Office	Nawaf bin Jutaily Al-Shammari	1210000915	Comparable market value	253.825	-

The lower valuation was adopted in accordance with the Capital Market Authority's requirements for using the revaluation model. The revaluation impairment in revaluation through other comprehensive income amounted to (1,329) thousand Riyals for the year.

** Some of the above-mentioned buildings are built on land leased from the Saudi Authority for Industrial Cities and Technology Zones (Modon) in the Second Industrial City, Riyadh, under a contract ending between 2028-2040.

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

**** carrying amount of depreciated assets still in use as of December 31, 2022 (1,107,390) thousand Saudi riyals and 31 of December 2022 (SR1,085,405) thousand Saudi riyals.

5.2 For the year ended December 31, 2022	**Lands***	**Buildings and roads ****	**Plant, equipment and main spare parts**	**Furniture, fixture and office equipment**	**Vehicles**	**Capital work in progress*****	**Total**
Cost:							
Balance at 01 January 2022	10,625	220,598	1,844,624	109,660	33,948	7,218	2,226,673
Additions during the year	-	-	5,892	539	343	40,923	47,697
Transfers	-	-	41,591	153	-	(41,744)	-
Disposals	-	-	(72,215)	-	(721)	-	(72,936)
Balance at 31 December 2022	**10,625**	**220,598**	**1,819,892**	**110,352**	**33,570**	**6,397**	**2,201,434**
Accumulated depreciation:							
Balance at 01 January 2022	-	(202,239)	(1,653,511)	(103,424)	(33,315)	-	(1,992,489)
Depreciation for the year (note 23)	-	(4,820)	(39,264)	(2,404)	(375)	-	(46,863)
Disposals	-	-	72,214	-	721	-	72,935
Balance at 31 December 2022	**-**	**(207,059)**	**(1,620,561)**	**(105,828)**	**(32,969)**	**-**	**(1,966,417)**
Provision for accumulated impairment:							
Balance at 01 January 2022	-	-	(5,600)	-	-	-	(5,600)
Balance at 31 December 2022	**-**	**-**	**(5,600)**	**-**	**-**	**-**	**(5,600)**
Revaluation surplus:							
Change in surplus from revaluation during the year	243,200	-	-	-	-	-	243,200
Balance at 31 December 2022	**243,200**	**-**	**-**	**-**	**-**	**-**	**243,200**
Net book value:							
As per the cost model	-	13,539	193,731	4,524	601	6,397	218,792
As per the revaluation model*	253,825	-	-	-	-	-	253,825
As of 31 December 2022,	**253,825**	**13,539**	**193,731**	**4,524**	**601**	**6,397**	**472,617**

Notes to the consolidated financial statements for the year ended December 31, 2023
(All amounts in Saudi Riyals unless otherwise stated)

6. Investment properties - at cost

	31/12/2023	31/12/2022
Lands*		
Cost:		
Net carrying amount at end of the year	**87,005**	**87,005**

* Investment properties represent the following:
(a) A real estate contribution to a land in Madinah at a cost of SR50 million riyals (for the purpose of generating revenue or capital profit) at a rate of 14,58% according to a land sharing contract between the Company and one of the local investment properties companies under which the title deed was registered. It is also entitled to sell or dispose of the land without consulting the Company. In that case the sale value and profits are divided according to the participation percentage immediately after the sale.
- The Group's share in its fair value as at December 31, 2023 amounted to SR57,17 million riyals (2022: SR53,57 million) according to the valuation of this land by (The Current Value Real Estate Valuation Company, license No. 1210000606) as an approved valuer for the current and comparable year.

(b) A land in Khobar City purchased in 2015 at a cost of SR37 million riyals to establish a regional sales center targeting the Eastern Province and the GCC countries. It was included in the previous years under property, plant and equipment. During 2021 and due to the economic conditions and the covid-19 impact, the Management put off the establishment of the center and decided to classify the land as investment property and lease it to generate additional income for the Group.

Its fair value as of December 31, 2023, amounted to SR45,64 million riyals (2022: SR42,30 million), as per the valuation made by (Current Value Real Estate Valuation Company, license number: 1210000606) as an accredited valuer during the current and comparable year.

7. Leases

7.1 Right-of-use assets - net

	31/12/2023	31/12/2022
Right-of-use lands		
Cost:		
Balance at beginning of year	21,687	21,714
Disposal of contracts	-	(27)
Balance at year-end	**21,687**	**21,687**
Accumulated depreciation:		
Balance at beginning of year	6,084	4,556
Depreciation for the year (note 23)	1,552	1,554
Disposals	-	(26)
Balance at year-end	**7,636**	**6,084**
Net carrying amount at end of the year	**14,051**	**15,603**

7.2 Lease liabilities

	31/12/2023	31/12/2022
Balance at beginning of year	16,633	17,954
Less: Paid during the year	(2,262)	(2,206)
Less: Disposal	-	(1)
Charged to finance cost (note 27)	819	886
Present value of obligations	**15,190**	**16,633**

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

	31/12/2023	31/12/2022
7.2.1 Lease liabilities - current portion	1,482	1,411
7.2.2 Lease liabilities - non-current portion	13,708	15,222
	15,190	**16,633**

Notes to the consolidated financial statements for the year ended December 31, 2023
(All amounts in Saudi Riyals unless otherwise stated)

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

	Legal form	Headquarters	Shareholding %	31/12/2023	31/12/2022
Unquoted investments					
Red Sea Cables Company *	Saudi closed joint stock company	Riyadh	27%	59,000	57,300
Al-Reef Sugar Refining Company **	Saudi closed joint stock company	Jeddah	15%	42,000	44,784
				101,000	**102,084**

Movement of changes in fair value was at follows:

	31/12/2023	31/12/2022
Balance at beginning of year	102,084	94,804
Additions during the year	-	3,150
(Losses) / profits from revaluation of investments at fair value	(1,084)	4,130
Fair value at end of the year	**101,000**	**102,084**

* The cost of investment in the Red Sea Cables Company amounted to SR50 million.
** The investment cost in Al-Reef Sugar Refining Company was initially 45 million Saudi riyals, which was later increased to 49.7 million Saudi riyals. During the year 2020, the company injected a total amount of 1,57 million Saudi riyals, which represents 50% of the Group's share in increasing the capital of Al-Reef Sugar Refining Company by 7% of the capital value, in accordance with the decision of the Board of Directors of Al-Reef Sugar Refining Company dated 28/02/1442 H corresponding to 14/10/2020. During the third quarter of the current year, the company paid the remaining amount of 1,575 million Saudi riyals. On 04/12/2022, the Extraordinary General Assembly of Al-Reef Sugar Refining Company was held, and it approved amending the company's articles of association by increasing the company's capital by 10.5% instead of the proposed 7% according to the decision of the Board of Directors. Accordingly, the company paid an amount of 1,57 million Saudi riyals to complete its share in the planned capital increase.

- The fair value mentioned above is valued as of December 31, 2023 by an accredited by Abdulmajeed Manqal Valuation Office, license: 3912000002 (2022: Yazeed Abdulwahab Abdullah Al-Abdulwahab Office, license No. 4012000042). The fair values reserve has been recognized through other comprehensive income.

- The Group does not have any control or significant influence over participation in the financial and operational decisions of the investees.
-Note 31 includes information on fair value.

9. Inventory - net

	31/12/2023	31/12/2022
Raw materials	196,262	232,996
Products under process	18,005	32,566
Finished goods	105,717	78,922
	319,984	**344,484**
(Less): Provision for impairment of inventory (9.1)	(6,658)	(6,065)
	313,326	**338,419**

9.1 Movement of provision for impairment of Inventory

	31/12/2023	31/12/2022
Balance at beginning of year	6,065	5,466
No more required (note 26)	(153)	(255)
Provided for the year (note 23)	746	854
Balance at year-end	**6,658**	**6,065**

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

Notes to the consolidated financial statements for the year ended December 31, 2023
(All amounts in Saudi Riyals unless otherwise stated)

10. Trade receivables - net

	31/12/2023	31/12/2022
Customers *	489,769	460,001
Provision for expected credit losses (note 10.1)	(26,878)	(23,003)
	462,891	**436,998**

10.1 Movement in provision for expected credit losses

	31/12/2023	31/12/2022
Balance at beginning of year	23,003	19,003
Provided for the year (note 25)	3,875	4,000
Balance at year-end	**26,878**	**23,003**

Below is an analysis of customer receivables aging as 31 December

	31/12/2023	31/12/2022
Up to 2 months	87,988	105,334
2-3 months	39,588	36,104
Over 3 months	362,193	318,563
Balance at year-end	**489,769**	**460,001**

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

11. Related party transactions

11.1 Due from related parties

Related parties	Nature of relationship	31/12/2023	31/12/2022
Al-Abdullatif Furniture Company*	Related to one of the directors of the Board	**47,300**	**43,753**

11.2 Due to related parties

Related parties	Nature of relationship	31/12/2023	31/12/2022
Natural Gas Distribution Company	Related to one of the directors of the Board	147	150
Red Sea Cables Company	Related to one of the directors of the Board	-	7
		147	**157**

11.3 Significant transactions with related parties

		Type and volume of related party transactions for the year ended December 31, 2023		
Related parties 2023	**Nature of relationship**	**Sales and services rendered**	**Purchases and services received**	**Payments and repayments**
Al-Abdullatif Furniture Company*	Related to one of the directors of the Board	34,788	(482)	(30,760)
Red Sea Cables Company	Related to one of the directors of the Board	46	(789)	750

		Type and volume of related party transactions for the year ended December 31, 2022		
Related parties 2022	**Nature of relationship**	**Sales and services rendered**	**Purchases and services received**	**Payments and repayments**
Al-Abdullatif Furniture Company*	Related to one of the directors of the Board	43,426	(863)	(40,163)
Red Sea Cables Company	Related to one of the directors of the Board	18	(174)	149
Natural Gas Distribution Company	Related to one of the directors of the Board	-	(1,715)	1,712

* The Group performs an assessment of the impairment of receivables due from related parties by examining the financial position of the related parties and the markets in which they operate in each financial period. The Management believes that there are no indications of impairment in the value of the balances due as of December 31, 2023.

Notes to the consolidated financial statements for the year ended December 31, 2023
(All amounts in Saudi Riyals unless otherwise stated)

11.4 Key Management personnel compensation

	2023	2022
Salaries and benefits of Directors of Executive Board	1,037	912
Board of Directors remunerations	400	300
Allowance for attendance of BoD sessions	45	45
	1,482	**1,257**

The General Assembly resolved in its meeting held on 21/2/1444 (20/06/2023) to pay four Directors of the Board an amount of SR100 thousand as a remuneration for the financial year ended 31/12/2022. The remaining directors waived their remuneration for the year ended 31/12/2022.

12. Prepayments and other debit balances

	31/12/2023	31/12/2022
Advances to the suppliers	7,313	14,820
Prepaid insurance expenses	3,954	3,161
Prepayments	545	2,314
Employee imprests and advances	2,404	1,427
Visas, residence permits and work permits	1,830	1,111
Others	2.040	5,022
	18,086	**27,855**

13. Investments at FVTPL

	31/12/2023	31/12/2022
Balance at beginning of year	1,765	8,950
Profits from revaluation of investments at fair value	231	1,015
Disposals through sale	-	(8,200)
Balance at year-end	**1,996**	**1,765**

* Investments represent shares of a listed company (Saudi Arabian Oil Company – Aramco) with less than 1% of the share capital of the investee. The number of shares of the investee as of December 31, 2023 were 60.500 thousand shares (2022: 55 thousand shares). The fair value was measured according to the disclosed share price as at December 31, 2023. Profits or losses of valuation have been recognized through profits or losses.

14. Cash and cash equivalents

	31/12/2023	31/12/2022
Cash on hand	4,770	2,594
Local banks - current accounts in Saudi riyals	37,824	67,513
Local banks - current accounts in foreign exchange	14,525	12,397
	57,119	**82,504**

15. Share capital

	31/12/2023	31/12/2022
Balance at year-end	**812,500**	**812,500**

The Company's share capital is SR812,500 thousand divided into 81,250 thousand shares at a nominal value of SR10 each. The Shareholders subscribed to the entire share capital of the Company. There were no changes in the share capital during the current financial year.

16. Statutory reserve

	31/12/2023	31/12/2022
Balance at beginning of year	241,429	241,429
Transferred to accumulated losses	(241,429)	-
Balance at year-end	**-**	**241,429**

On the 15th of Jumada al-Thani 1445H, corresponding to December 28, 2023, the extraordinary general assembly decided to amend the company's articles of association to comply with the new Companies Law. Accordingly, the company is not required to create a statutory reserve. The Company also decided to transfer the statutory reserve balance to accumulated losses.

(All amounts in Saudi Riyals unless otherwise stated)

17. Employee defined benefit obligations

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

	31/12/2023	31/12/2022
Balance at beginning of year	19,889	16,836
Cost of current service	3,464	5,791
Cost of interest	846	371
Charged to profits and losses (note 17.1)	4,310	6,162
Paid during the year	(4,794)	(6,000)
Actuarial losses "charged to other comprehensive income"	3,121	2,891
Balance at year-end	**22,526**	**19,889**

17.1 Charged to profits and losses

	31/12/2023	31/12/2022
Charged to cost of revenue (note 23)	3,464	5,791
Charged to general and administrative expenses (note 25)	846	371
	4,310	**6,162**

An actuarial valuation was performed using the projected unit credit method to measure the present value of the employee defined benefit obligations on December 31, 2023 in relation to the end-of-service benefits accrued to employees under the Saudi Labor Law. This valuation was based on principal actuarial assumptions that included the following:- -

Significant actuarial assumptions used

	31/12/2023	31/12/2022
Discount rate	5.5%	2.71%
Annual salary increase rate	1%	1%
Employee turnover	Medium	Medium
Retirement age	60	60

Sensitivity analysis

The sensitivity analysis is based on a method that measures the effect on employee defined benefit obligations when a change occurs in one of the principal actuarial assumptions، while keeping all other assumptions constant، here is a quantitative sensitivity analysis of the assumptions used to measure defined employee benefit obligations:

	31/12/2023	31/12/2022
Basis according to actuarial assumptions used	22526	19,889
Sensitivity of employees benefit obligations to a change in one of the assumptions		
Discount rate (increase by 1%)	20,151	19,441
Discount rate (decrease by 1%)	25,213	20,441
Turnover rate (increase by 1%)	29,639	20,037
Turnover rate (decrease by 1%)	21,272	19,663

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

Notes to the consolidated financial statements for the year ended December 31, 2023
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18. Banks - credit facilities

	31/12/2023	31/12/2022
Business facility finance and short-term Murabaha	244,741	226,341
Less: Deferred finance commissions	(5,280)	(3,538)
	239,461	**222,803**

- Through facility agreements signed with local banks, the Company received short-term facilities at a credit limit SR 551.75 million for the following purposes:

- Finance to purchase and import raw materials for production and working capital.
- Purchase of materials via the opening account of Sabic Company
- Murabaha and Tawarruq.
- Finance for the operational cycle of the Company.
- Letters of credit and guarantees.
- Hedging from foreign currency risks.

The above are under the following guarantees:

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

19. Trade Payables

	31/12/2023	31/12/2022
Suppliers	**46,896**	**31,667**

20. Accrued expenses and other credit balances

	31/12/2023	31/12/2022
Due to employees	5,057	4,347
Value Added Tax	1,544	3,548
Advances from customers	2,210	1,521
Board of Directors remuneration due	400	360
Other accrued expenses	5,638	5,721
	14,849	**15,497**

21. Zakat provision

21.1 Provision for adjusted income

	31/12/2023	31/12/2022
Net (loss) for the year	(54,982)	(37,867)
Adjustments to net (loss) for the year	13,086	11,016
Net adjusted (loss) taxable	**(41,896)**	**(26,851)**

21.2 Calculation of zakat

The Group submits a consolidated zakat return for the Group as a whole (the Parent Company and its subsidiaries) in accordance with the consolidated financial statements. The approximate zakat base for the Group as of December 31, 2023 consists of the following items:

	31/12/2023	31/12/2022
Net adjusted (loss) taxable	(41,896)	(26,851)
Additions of components subject to zakat	1,366,319	1,394,398
Discounts of components not subject to zakat	(691,670)	(677,309)
Total zakat base	**632,753**	**690,238**
Zakat base for the year	**652,400**	**712,520**
Zakat for the year	**16,310**	**17,813**

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

21.3 Movement in zakat provision

	31/12/2023	31/12/2022
Balance at beginning of year	20,001	21,770
Paid during the year	(17,809)	(21,769)
Zakat for the year	16,310	17,813
Provision for expected Zakat claims	3,498	2,187
Provided for the year	19,808	20,000
Balance at year-end	**22,000**	**20,001**

(All amounts in Saudi Riyals unless otherwise stated)

21. Zakat provision… (continued)

21.4 Zakat status

The Group submitted its consolidated zakat return for the year ended December 31, 2022 and received a zakat certificate valid until 30 April 2024.

Zakat has been calculated for the subsidiaries mentioned in note (1.3) within the consolidated financial statements of the Group. The Group is committed to accounting for it before the Zakat, Tax and Customs Authority, and each subsidiary is charged with its due Zakat in accordance with the Group's policy of redistributing Zakat among the subsidiaries.

- The group has finalized its Zakat status with the Zakat, Tax and Customs Authority for the year ended 31 December 2018. The Zakat, Tax, and Customs Authority adjusted the zakat declarations for the years 2019 and 2020, resulting in zakat differences amounting to 17.9 million Riyals as per the claim. The group filed an objection to these differences, paying 2.29 million Riyals (25% of the claim value) according to the zakat regulations to accept the objection. An appeal was submitted before the Tax Committee to resolve tax violations and disputes. The appeal is still under review by the committee. According to the tax advisor's opinion, the management believes that the outcome of the appeal will be in favor of the Group.

21.5 Value Added Tax

The Group submits consolidated VAT returns every month. It submitted December 2023 return and paid the amount later.

22. Revenue

	2023	2022
Local sales	324,325	386,512
Export sales	198,280	260,992
	522,605	**647,504**

23. Cost of revenue

	2023	2022
Raw materials inventory at beginning of the year	232,996	229,798
Local purchases	137,480	208,663
Import purchases	134,275	175,496
Less: Raw materials inventory at year-end	(196,262)	(232,996)
Cost of materials used for production	**308,489**	**380,961**
Products under process at beginning of the year	32,566	25,374
Industrial expenses and operation supplies		987
Salaries, wages, allowances and equivalents	86,242	95,082
GOSI	6,069	6,109
Housing and food	9,930	9,140
Risk insurance	6,053	5,713
Electricity and water	34,345	31,945
Motor vehicles and fuel expenses	2,768	4,404
Training cost	3,252	1,981
Visas, residence permits and work permits	5,256	5,874
Maintenance and spare parts cost	18,404	17,498
Medical insurance and treatment	7,968	6,353
Depreciation on right-of-use assets (note 7.1)	1,552	1,554
Depreciation on property and equipment (note 5)	47,798	46,863
Employee defined benefit obligations (note 17)	3,464	5,791
Other direct expenses	3,354	4,491
Less: Products under process at year-end	(18,005)	(32,566)
Finished goods cost	**559,505**	**617,554**
Finished goods inventory at beginning of the year	78,922	100,582
Less: Finished goods inventory at year-end	(105,717)	(78,922)
Impairment of inventory (note 9.1)	746	854
	533,456	**640,068**

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24. Selling and marketing expenses

	2023	2022
Salaries, wages and benefits	1,132	957
Transportation and cargo	10,031	18,269
Sale incentives	1,621	2,001
Samples	309	529
Leases	373	389
Insurance expenses	505	346
Transport, shipping and unloading	-	140
Car and fuel expenses	-	49
Advertising and other	2,009	1,795
	15,980	**24,475**

25. General and administrative expenses

	2023	2022
Salaries, wages and related expenses	8,910	9,305
Impairment of trade receivables (note 10.1)	3.875	4,000
Consulting and professional fees	1,597	1,321
Fees and subscriptions	1,224	1,175
Stationary and printings	542	1,126
Post, telephone and Internet	813	662
Bank fees	354	651
Canteen and cleaning	520	442
Board of Directors bonuses and expenses	687	438
Employee defined benefit obligations (note 17.1)	846	371
Cars expenses	94	154
Maintenance and repair	13	94
Miscellaneous	1.569	775
	21,044	**20,514**

26. Other income

	2023	2022
Rent	3,743	2,930
Income from related parties' companies	824	735
Profits from sale of property, plant and equipment	1,989	548
Provision for impairment of inventory no longer required (note 9.1)	153	255
Miscellaneous income	828	369
	7,537	**4,837**

27. Finance cost - net

	2023	2022
Income from bank deposits	-	(6)
Interests on bank facilities	14,152	5,356
Lease interest (note 7.2)	819	886
	14,971	**6,236**

28. (Loss) per share

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

	2023	2022
Net (loss) for the year attributable to Company's Shareholders	(74,790)	(57,867)
Weighted average number of shares issued "in thousands of shares"	81,250	81,250
Basic and diluted (loss) per share attributable to the Company's Shareholders	**(0.92)**	**(0.71)**

(All amounts in Saudi Riyals unless otherwise stated)

29. Segment information

The Group's operating segments represent two primary sectors (the carpet, rugs and related products sector, and the blankets sector). Below is a summary of some of the financial information for the primary business sectors for the year ended December 31, 2023 (compared to the year ended December 31, 2022).

Description / Sector	carpet, rugs and related products	Blankets	Total
For the year ended 31 December 2023			
Revenue	452,655	69,950	**522,605**
Cost of revenue	(467,284)	(66,172)	**(533,456)**
Gross loss	(14,629)	3,778	**(10,851)**
Net (loss) for the year	(71,818)	(2,972)	**(74,790)**
Property, plant and equipment - net	436,854	23,073	**459,927**
Total assets	1,409,969	152,732	**1,562,701**
Total liabilities	322,346	39,204	**361,550**

Description / Sector	carpet, rugs and related products	Blankets	Total
For the year ended 31 December 2022			
Revenue	555,153	92,351	**647,504**
Cost of revenue	(549,401)	(90,667)	**(640,068)**
Gross profit	5,752	1,684	**7,436**
Net (loss) for the year	(53,363)	(4,504)	**(57,867)**
Property, plant and equipment - net	446,634	25,983	**472,617**
Total assets	1,458,509	150,094	**1,608,603**
Total liabilities	320,080	7,048	**327,128**

Geographical distribution of sales

The Group carries out its operations in the Kingdom of Saudi Arabia, which is the primary domestic market. The Company markets its products to major markets outside the Kingdom, especially in the Gulf Cooperation Council countries, America, Africa, Europe, Australia and others. The following is a summary of the geographical distribution of sales for the year ended December 31, 2023 (compared to the year ended December 31, 2022).

	2023	**2022**
Local sales (inside Kingdom of Saudi Arabia)	**324,325**	**386,512**
Sales (outside Kingdom of Saudi Arabia)		
Asia Continent	84,945	51,873
North America	14,736	88,144
European Continent	27,697	45,732
Australian Continent	46,652	45,914
African Continent	24,250	29,329
	198,280	**260,992**
	522,605	**647,504**

30. Contingent liabilities and capital commitments

	31/12/2023		**31/12/2022**	
	Total contingent liabilities	**Paid margin**	**Total contingent liabilities**	**Paid margin**
Letters of credit and guarantees	**21,107**	**-**	**42,150**	**-**

31. Financial instruments and risk management

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

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

(All amounts in Saudi Riyals unless otherwise stated)

31. Financial instruments and risk management …(continued)

31.1 Liquidity risks

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. The Group manages and monitors liquidity risks on a regular basis to ensure that sufficient funds are available through bank facilities to meet any future commitments.
The Group's sales conditions stipulate that payments are to be made in cash upon delivery of the goods or on a credit basis.
All current liabilities are expected to be settled within 12 months as of the date of the financial statements.
The contractual maturities of financial liabilities as at the end of the year are:

	31 December 2023			
	On demand or less than a year	**1-5 years**	**More than 5 years**	**Carrying amount**
Banks - credit facilities	239,461	-	-	239,461
Trade payables	46,896	-	-	46,896
Due to related parties	147	-	-	147
Other payables	5,638	-	-	5,638
	292,142			**292,142**

	31 December 2022			
	On demand or less than a year	**1-5 years**	**More than 5 years**	**Carrying amount**
Banks - credit facilities	222,803	-	-	222,803
Trade payables	31,667	-	-	31,667
Due to related parties	157	-	-	157
Other payables	5,721	-	-	5,721
	260,348	**-**	**-**	**260,348**

31.2 Credit risks

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

	2023	**2022**
Cash with banks	52,349	79,910
Trade receivables	462,891	436,998
Other receivables	2,040	5,022
	517,280	**521,930**

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

31.3 Market risk

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

Notes to the consolidated financial statements for the year ended December 31, 2023
(All amounts in Saudi Riyals unless otherwise stated)

30. Contingent liabilities and capital commitments…(continued)
31.3 Market risk…(continued)

Currency risk
Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates affecting foreign currency payments and receipts along with assessment of assets and and liabilities in foreign currencies.
The Group is subject to fluctuations in foreign exchange rates in the normal course of its business. The Management regularly monitors changes in foreign exchange rates and manages the impact on the financial statements. Below are the Group's exposures to foreign currency on 31 December 2023:

For the year ended 31 December 2023

	USD Thousands of Saudi riyals	EURO Thousands of Saudi riyals	Total Thousands of Saudi riyals
Cash with banks	13,607	918	14,525
Trade receivables	92,182	764	92,946
Trade payables	(6,102)	-	(6,102)
Net risks on statement of financial position	**99,687**	**1,682**	**101,369**

For the year ended 31 December 2022

	USD Thousands of Saudi riyals	EURO Thousands of Saudi riyals	Total Thousands of Saudi riyals
Cash with banks	10,863	1,534	12,397
Trade receivables	149,481	2,139	151,620
Trade payables	(20,086)	-	(20,086)
Net risks on statement of financial position	**140,258**	**3,673**	**143,931**

The increase / (decrease) in foreign currencies affects the measurement of financial instruments (including assets and financial liabilities) denominated in foreign currencies. The Group's exposure is limited to the risks of changes in exchange rates that are not linked to the US dollar, which may result in an increase / (decrease) in the amounts shown below of equity:

	31 December 2023 Thousands of Saudi riyals	31 December 2022 Thousands of Saudi riyals
Euro (+10%)	168	367
Euro (-10%)	(168)	(367)

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

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

When measuring fair value, the Group uses observable market information whenever possible. Fair values are categorized into different levels in the fair value hierarchy based on the inputs used in the valuation methods as follows:
Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

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

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).
If multiple inputs used to measure fair value are categorized into different levels of the fair value hierarchy, the Fair Value Measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

Notes to the consolidated financial statements for the year ended December 31, 2023
(All amounts in Saudi Riyals unless otherwise stated)

30. Contingent liabilities and capital commitments…(continued)
31.3 Market risk…(continued)

Fair value risk …(continued)

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

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

The financial assets measured at fair value are as follows:

Assets	Level 1	Level 2	Level 3	Total
Investments at fair value through other comprehensive income	-	-	101,000	101,000
Investments at fair value through profits or losses	1,996	-	-	1,996
Total assets at fair value	**1,996**	**-**	**101,000**	**102,996**

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

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

31.4 Capital risk management
The Group's capital management objectives are to protect the Group's ability to continue on a going concern basis ،while maintaining an optimal capital structure to reduce the cost of capital. To maintain or adjust the capital structure ،the Group may obtain/pay financing from financial institutions.

In line with industry peers ،the Group manages capital risks by monitoring levels of debt and liquid assets while considering future investment requirements and shareholder expectations. Debt is calculated as total long-term financing and short-term borrowings. Total capital comprises shareholders' equity as shown in the statement of financial position under "Capital and Reserves" and net debt (cash and cash equivalents included).

Key information related to the Group's capital risk management included:

	31/12/2023	31/12/2022
Total debts	361,550	327,128
Less: Cash and bank balances	(57,119)	(82,504)
Net debt	304,431	244,624
Total stockholders' equity	1,202,051	1,281,475
Total capital utilized	1,506,482	1,526,099
Debt ratio	**21%**	**16%**

32. Events subsequent to consolidated financial statements date
The Management believes there are no significant events as of the date of the consolidated financial position on December 31, 2023 and until the date of preparing these consolidated financial statements that may have a significant impact on the consolidated financial statements.

33. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS
The consolidated financial statements for the year ended 31 December 2023 were approved by the Board Management on 20 Ramadan 1445 H corresponding to March 30, 2024.