AL OMRAN INDUSTRIAL TRADING COMPANY
(A SAUDI JOINT STOCK COMPANY)
THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
ALONG WITH
INDEPENDENT AUDITOR'S REPORT

AL OMRAN INDUSTRIAL TRADING COMPANY
(A SAUDI JOINT STOCK COMPANY)
The Consolidated Financial Statements and Independent Auditor's Report
For the year ended 31 December 2021

mazars

Al Kharashi & Co.
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INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
Al Omran Industrial Trading Company
(A Saudi Joint Stock Company)
Riyadh – Kingdom of Saudi Arabia

Opinion

We have audited the accompanying consolidated financial statements of Al Omran Industrial Trading Company (A Saudi joint stock company) (the "Company") and its subsidiary company (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.
In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the Code of Conduct and Ethics adopted in the Kingdom of Saudi Arabia. Also fulfilled the requirements of the conduct of other ethics in accordance with those rules. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The consolidated financial statements for the year ended on 31 December 2020 were audited by another auditor, who expressed an unmodified opinion dated on Shaaban 24, 1442H corresponding to April 6, 2021G.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (continued)

For each key audit matter, a description of how our audit addressed the matter is set out below:

Key audit matters	How the matter was addressed in our audit
Revenue recognition: During the year ended December 31, 2021, Group's revenue amounted to SAR 135.2 million (2020: SAR 139.3 million). The Group continues to be under pressure to meet goals and expectations which may lead to misstatements in revenue recognition. Revenue recognition is a key audit matter because there is a risk that management may override controls to misrepresent revenue transactions. Refer to Note 4-15 of the consolidated financial statements for the accounting policy related to revenue recognition and Note 26 for the related disclosures.	We have performed the following procedures regarding revenue recognition: - Evaluating the appropriateness of the accounting policies related to the revenue recognition of the Group by taking into consideration the requirements of IFRS 15 "Revenue from Contracts with Clients". - Evaluating the design, implementation and testing of the operational effectiveness of the Group's control procedures, including the control procedures to prevent fraud when recognizing revenue in accordance with the Group's policy. - Performance of audit analytical procedures for revenues, by comparing sales for the current year with the previous year, and identifying the causes of fundamental fluctuations, which require additional examination in light of our understanding of the Group's operating conditions, considering market conditions as well. - Testing sales transactions, on a sample basis, and perform cut-off tests of revenue to ensure that the revenue has been recognized in the correct period. - Assessing the adequacy of the disclosures that the management has included in the accompanying consolidated financial statements.

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INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (continued)

Key audit matters	How the matter was addressed in our audit
Trade receivables: As on December 31, 2021, the total carrying value of trade receivables amounted to SAR 48.4 million (2020: SAR 39.2 million), and the provision for expected credit losses of trade receivables amounted to SAR 8.9 million (2020: SAR 9.1 million). At each reporting date, the Group's management applies a simplified expected credit loss ("ECL") model to determine the allowance for impairment of trade receivables. The ECL model involves the use of various assumptions, macro-economics factors and study of historical trends relating to the Group's experience of trade receivables' collection. We considered this a key audit matter due to the judgements and estimates involved in the application of the expected credit loss model. Refer to Note 9 of the consolidated financial statements for the disclosures relating to trade receivables.	We have performed the following procedures regarding expected credit losses valuation of trade receivables: - Compared the ECL model developed by management to that required by IFRS 9 and reviewed the reasonableness of the methodology in comparison to accepted best practice. We also account the arithmetical accuracy of the model. - Tested key assumptions such as those used to calculate the likelihood of default and the subsequent loss on default, by comparing to historical data. We also considered the incorporation of forward-looking factors to reflect the impact of future events on expected credit losses. - Selected a sample of trade receivables and sent confirmation requests to ensure the accuracy of balances at year-end. And related to customers from whom no confirmations were received, we conducted an alternative audit procedures that included verifying the supporting documents and subsequent collections occurred after year-end for the selected sample. - We compared the Group's ECL provision policy and the ECL practice in accordance with the requirements set out in IFRS 9. - Understand and evaluate the design and effectiveness of the internal controls that the Group applies to the trade receivables cycle. - Assessing the adequacy of the Group's disclosures included in the accompanying consolidated financial statements.
Inventory: As on December 31, 2021, the total carrying value of inventory amounted to SAR 104.5 million (2020: SAR 93.9 million), and the provision for inventory impairment amounted to SAR 1.7 million (2020: SAR 1.7 million). Inventory is important because of the nature of the Group's activity, which depends on the stock mainly in generating revenue. Accordingly, the inventory is one of the key audit matters because of its impact on the results of the business. Refer to Note 4-5 of the consolidated financial statements for the accounting policy related to inventory and Note 8 for related disclosures.	We have performed the following procedures regarding valuation and accuracy of inventory: - Test the design of the control procedures and their operating effectiveness in respect of the recognition of inventory. - Detailed analytical procedures for inventory. - Test the correctness of inventory measurement at the lower of cost or net realizable value as well as reviewing the Group's policy to determine the cost using weighted average method. - Test the movement of inventory in the subsequent period after year-end to ensure that it is not required to recognize more provision for slow moving or damaged inventory. - We have attended the Group's annual stock count as at December 31, 2021 to verify the actual existence of a sample of items that are selected randomly. - Assessing the adequacy of the Group's disclosures included in the accompanying consolidated financial statements.

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INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Other information included in the Group's annual report for the year ended 31 December 2021

Management is responsible for the other information. The other information consists of the information included in the annual report of the board of directors but does not include the consolidated financial statements and our report thereon, which are expected to be made available to us after the date of our report. Our opinion on the consolidated financial statements does not cover the other information and we will not express any kind of assurance thereon.

With regards to our audit of the consolidated financial statements, our responsibility is limited to reading the other information described above, and when reading it, we take into account whether the other information does not materially correspond to the consolidated financial statements or information obtained during the audit process or otherwise appears to contain significant misstatements.

If, upon reading the board's report, we conclude that it contains material misstatements, we must inform those charged with governance of this matter.

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

Management is responsible for the preparation and fair presentation for the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

During our audit of the consolidated financial statements, we did not find the Group's violation of the provisions of the Companies Law or the provisions of the Company's Articles of Association.

For Al-Kharashi Co.

Silieman A. Al-Kharashi
License No. (91)

الخراشي وشركاه
محاسبون و مراجعون قانونيون
س.ت: C.R.: 1010327044
Certified Accountants
& Auditors
AL-Kharashi Co.

Riyadh:
Shaaban 21,1443H
March 24, 2022G

AL OMRAN INDUSTRIAL TRADING COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021
(Saudi Riyals)

	Note	31 December 2021	31 December 2020
ASSETS			
Non-Current assets			
Property and equipment, net	6	37,975,494	39,657,980
Rights of use assets, net	7-1	1,616,724	2,081,524
Total Non-current assets		39,592,218	41,739,504
Current assets			
Inventory	8	102,841,945	92,263,509
Trade receivables, net	9	38,440,554	30,067,719
Prepayments and other debit balances	10	6,851,037	14,736,252
Cash and cash equivalents	12	4,112,549	8,924,584
Total current assets		152,246,085	145,992,064
TOTAL ASSETS		191,838,303	187,731,568
LIABILITIES AND SHAREHOLDERS EQUITY			
SHAREHOLDERS EQUITY			
Share capital	13	60,000,000	60,000,000
Statutory reserve	14	10,915,307	9,921,843
Agreement reserve	15	695,834	695,834
Actuarial reserve		(1,217,454)	(37,348)
Retained earnings		45,389,603	36,448,426
Equity attributable to the shareholders of the company		115,783,290	107,028,755
Non-controlling rights		(477,000)	(408,880)
Total Equity		115,306,290	106,619,875
Liabilities			
Non-current liabilities			
Employees' post-employment benefits	16	6,942,426	5,900,174
Borrowings - Non-current	17	1,156,132	1,101,084
Lease obligations - non-current	7-2	1,120,980	1,814,827
Total Non-current liabilities		9,219,538	8,816,085
Current liabilities			
Borrowings – Current	17	44,551,143	47,976,807
Lease obligations - Current	7-2	938,849	490,002
Trade Payables		4,594,011	10,722,234
Accrued expenses and other credit balances	18	11,923,842	7,789,428
Due to related parties	11-1	540,758	452,249
Provision for contingent Liabilities		1,997,211	1,000,000
Zakat provision	19	2,766,661	3,864,888
Total current liabilities		67,312,475	72,295,608
Total liabilities		76,532,013	81,111,693
Total liabilities and shareholders' equity		191,838,303	187,731,568

Chief Financial Officer

Saber Mohamed Hegazy

Chief Executive Officer

Abdul Rahman Mohammed bin Omran

The accompanying notes 1 through 29 form an integral part of these consolidated financial statements.

AL OMRAN INDUSTRIAL TRADING COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021
(Saudi Riyals)

	Note	31 December 2021	31 December 2020
Revenue	26	135,240,507	139,362,634
Cost of sales	20	(98,393,633)	(109,296,073)
Gross profit		36,846,874	30,066,561
Selling and marketing expenses	21	(14,946,296)	(14,097,493)
General and administrative expenses	22	(6,286,595)	(11,141,443)
Profit from operating		15,613,983	4,827,625
Finance costs	23	(2,067,139)	(1,393,217)
Provision expense for contingent Liabilities		(997,211)	(1,150,000)
Other income		27,305	3,400
profit before zakat		12,576,938	2,287,808
Zakat	19-C	(2,736,371)	(1,704,795)
profit for the year		9,840,567	583,013
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Re-measure employees' end of service benefits	16-2	(1,154,152)	(1,130,097)
Net comprehensive (loss) \ income for the year		8,686,415	(547,084)
Total comprehensive (loss) \ income for the year			
The shareholders of the company		8,754,535	(340,951)
Non-controlling property rights		(68,120)	(206,133)
		8,686,415	(547,084)
Earnings per share from the net profit for the year attributable to the shareholders of the company	24		
Basic and diluted earnings per share		1.66	,13

Chief Financial Officer

Saber Mohamed Hegazy

Chief Executive Officer

Abdul Rahman Mohammed bin Omran

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AL OMRAN INDUSTRIAL TRADING COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CHANGE IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021
(Saudi Riyals)

	Share capital	Statutory reserve	Agreement reserve	Actuarial reserve	Retained earnings	Total equity attribute to shareholders	Non-controlling rights	Total
Balance in 1 January 2020	60,000,000	9,841,112	695,834	1,110,913	35,721,847	107,369,706	(202,747)	107,166,959
Net profit for the year	-	-	-	-	807,310	807,310	(224,297)	583,013
Other comprehensive income	-	-	-	(1,148,261)	-	(1,148,261)	18,164	(1,130,097)
Total comprehensive income (loss) for the year	-	-	-	(1,148,261)	807,310	(340,951)	(206,133)	(547,084)
Transferred to statutory reserve	-	80,731	-	-	(80,731)	-	-	-
Balance as at 31 December 2020	**60,000,000**	**9,921,843**	**695,834**	**(37,348)**	**36,448,426**	**107,028,755**	**(408,880)**	**106,619,875**
Balance in 1 January 2021	60,000,000	9,921,843	695,834	(37,348)	36,448,426	107,028,755	(408,880)	106,619,875
Net profit for the year	-	-	-	-	9,934,641	9,934,641	(94,074)	9,840,567
Other comprehensive income	-	-	-	(1,180,106)	-	(1,154,152)	25,954	(1,154,152)
Total comprehensive (loss) \ income for the year	-	-	-	(1,180,106)	9,934,641	8,754,535	(55,936)	8,686,415
Transferred to statutory reserve	-	993,464	-	-	(993,464)	-	-	
Balance as at 31 December 2021	**60,000,000**	**10,915,307**	**695,834**	**(1,217,454)**	**45,389,603**	**115,783,290**	**(477,000)**	**115,306,290**

Chief Financial Officer

Saber Mohamed Hegazy

Chief Executive Officer

Abdul Rahman Mohammed bin Omran

The accompanying notes 1 through 29 form an integral part of these consolidated financial statements.

(Saudi Riyals)

	Note	31 December 2021	31 December 2020
Cash flows from operating activities			
Net income before zakat		12,576,938	2,287,808
Adjustments to reconcile the net profit for the year before zakat to the net flow cash generated from operating activities:			
Depreciation of property, plant, and equipment	6	2,909,081	3,147,284
Amortization of the right to use the leased assets	7	464,800	466,074
Provision for inventory impairment	8	-	1,688,834
Written off /Create provision for impairment of Accounts receivable:	9	(204,524)	4,335,409
impairment of prepayments and other debit balances	10	(77,688)	894,282
Provision for expected liabilities		997,211	1,150,000
Finance costs	22	2,067,139	1,393,217
Provision for employees' end of service benefits	16-2	303,490	769,121
		19,036,447	16,132,029
Changes in working capital items:			
Trade receivables		(8,168,311)	(3,231,189)
Inventory		(10,578,436)	(25,643,478)
Prepayments and other debit balances		7,962,903	(5,400,091)
Due from related parties		-	1,647,535
Due to related party		88,509	452,249
Trade payable		(6,128,223)	1,930,398
Accrued expenses and other credit balances		4,134,414	2,383,572
Net Cash flows generated from /(used in) working capital		6,347,303	(11,728,975)
Expected liabilities paid		-	(150,000)
End of service benefits paid	16-2	(415,390)	(223,921)
Zakat paid	19	(3,834,598)	(1,665,680)
Net Cash generated from / (used in) operating activities		2,097,315	(13,768,576)
Cash flows from investing activities			
Additions to property, plant, and equipment	6	(1,226,595)	(1,297,907)
Net cash used in investing activities		(1,226,595)	(1,297,907)
Cash flows from financing activities:			
Paid lease obligations		(245,000)	(397,101)
Finance costs paid		(1,166,542)	(789,925)
Collected from borrowings	17	96,460,208	125,788,926
Paid borrowings	17	(100,731,421)	(102,227,685)
Net cash (used in) / generated from financing activities		(5,682,755)	22,374,215
Net change in cash and cash equivalents		(4,812,035)	7,307,732
Cash and cash equivalents at the beginning of the year	12	8,924,584	1,616,852
Cash and cash equivalents at end of the year		4,112,549	8,924,584

Chief Financial Officer
Saber Mohamed Hegazy

Chief Executive Officer
Abdul Rahman Mohammed bin Omran

The accompanying notes 1 through 29 form an integral part of these consolidated financial statements.

(Saudi Riyals)

26. ORGANIZATION AND PRINCIPAL ACTIVITIES

Al-Omran Industrial Trading Company ("the company") is a Saudi joint stock company that operates under the Commercial Registration No. 1010187735 issued from Riyadh on Rabi` Al-Akhir 18, 1424H, corresponding to June 18, 2003.

As referred in note (2), the consolidated financial statements include the financial statements of the company and its subsidiary - Al-Omran Plastic Industries Company, and they are collectively referred to as the "Group".

The issued and authorized capital of the Group is 60 million Saudi riyals, divided into 6 million shares, each share value of 10 Saudi riyals.

The group operates through the following branches, whose assets, liabilities and business results are included in the accompanying consolidated financial statements:

Name of branch	CR No.	CR date	CR date	City
Comfort air conditioner manufacturer	1010154984	27/4/1420 H	9 August 1999	Riyadh
Al-Omran Metal Kitchens Factory	1010440482	19/1/1437 H	1 November 2015	Riyadh

-The company activity is in the production of household and electronic devices, metal, plastic, paper, and cardboard industries, and complementary works under Industrial License No. (1677 / S) issued on 12 Jumada al-Akhir 1428H (corresponding to June 27, 2007) and the import, export, wholesale and retail trade of household and electronic devices and products. Plastic, paper, cardboard, spare parts, purchase of lands for constructing buildings on them, investing them for the benefit of the company, and managing and operating real estate for the benefit of the company.

-The activity of the Al Raha Air Conditioners Factory - Al-Omran Industrial Trading Company - is in the manufacture of air conditioners (units or central), Freon, manufacturing desert air conditioners of various sizes under the renewed industrial license by Resolution No. 411102101929 dated Jumada Al-Awwal 26, 1441H corresponding to January 21, 2020.

-The activity of Al-Omran Metal Kitchens Factory - the branch of Al-Omran Plastic Industries Company - is the production of metal industries under the renewed industrial license by Resolution No. 1001008484 dated Safar 29 1441H corresponding to October 28, 2019.

-Zawiya Al-Reef Factory activity for display refrigerators and refrigerators - the branch of Al-Omran Industrial Trading Company - is represented in other industries of manufacturing freezing and refrigeration equipment and its accessories for commercial purposes, including refrigerators and freezers for display and sale, and water and liquid coolers in the facilities

27. Group structure

The consolidated financial statements as at December 31, 2021 include the financial statements of the company, its subsidiaries and the following subsidiary company (collectively referred to as "the Group"):

Group name	Commercial Registration No	Country of incorporation	ownership percentage	
			31 December 2021	31 December 2020
Al-Omran for plastic industries	1010432884	Saudi Arabia	**٪ 70**	٪ 70

-Al-Omran Plastic Industries Company (subsidiary company) is a limited liability company practicing its activities under Commercial Registration No. 1010432884 issued from the city of Riyadh on Rajab 2, 1436H corresponding to April 21, 2015.

-The main activity of Al-Omran Plastic Industries Company (subsidiary company) is the production of air conditioner faces, plastic air conditioner spare parts, spoons, shokats, plastic knives, fittings connections, profile water standards, display shelves, display shelves joints, plastic chairs, plastic containers and industrial and plastic refrigerator door profiles under the renewed industrial license by the decision. No. 1001008937 on Safar 29, 1441H, corresponding to October 28, 2019.

The accumulated losses of Al-Omran Plastic Industries Company as on December 31, 2021, amounted to SR 870,794., which exceeds half of the capital and in compliance with the requirements of the Saudi Companies Law. The partners decided in their meeting on Rajab25, 1443H , February 27,2022. continuing the company's operations and providing the necessary funds to meet the obligations when they are due and continuing to provide the necessary financial support to the company, including any requirements that may arise from the current liquidity deficit when required to do so, the financial statements have been prepared assuming the continuity of the company. This decision has not been published in the methods stipulated in the Companies Law yet.

28. BASIS OF PREPARATION

A- Statement of Compliance:

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

As required by the Capital Market Authority through its circular issued on October 16, 2016, the group must apply the cost model for measuring property, plant and equipment when adopting IFRS for a period of three years starting from the date of applying IFRS, and the extension was later until December 31, 2021

B- Basis of measurement:

The consolidated financial statements have been prepared in accordance with the historical cost principle except in cases where international financial reporting standards require another basis for measurement as disclosed in the accounting policies in note (3) of the notes about the accompanying consolidated financial statements.

C- Presentation and functional currency:

These consolidated financial statements are presented in Saudi Riyals, which is the company's functional currency as well as the presentation currency.

D- Basis of Consolidation:

The consolidated financial statements include the financial statements of Al-Omran Industrial Trading Company and its branches and its subsidiary (the group) as stated in note (2).

Control is achieved when the group has:

- The ability to control the invested facility.
- A right to variable returns as a result of their association with the investee.
- The ability to use its control to influence investment returns

he Group reassesses whether or not it controls any of the invested entities, if facts and circumstances indicate the occurrence of changes in one or more of the elements of control referred to above.

When the group's voting rights in any of the invested establishments are less than the majority of the voting rights in it, the company has control over that investee when the voting rights are sufficient to give it the practical ability to direct the activities related to the invested facility unilaterally. The group takes into account all relevant facts and circumstances when assessing whether the company has voting rights in the investee group to give it control. These facts and circumstances include:

- The size of voting rights the group possesses in relation to the size and extent of ownership of other voting rights holders.
- The potential voting rights of the group and other voting rights holders or other parties.
- Rights arising from other contractual arrangements.
- Any additional facts and circumstances that may indicate that the group has, or does not have, the current ability to direct relevant activities when decisions are needed, including how to vote at previous shareholder meetings.

The process of consolidating a subsidiary begins when the group gains control over that subsidiary, while that process stops when the group loses control of the subsidiary. In particular, the income and expenses of the subsidiary acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the date the group acquires control until the date on which the group's control over the subsidiary ends.

The consolidated statement of profit or loss and each component of other comprehensive income are distributed among the shareholders of the Group. The total other comprehensive income of the subsidiary is distributed among the shareholders of the group.

When necessary, adjustments are made to the financial statements of the subsidiary to bring its accounting policies into line with those used by the group.

All transactions and balances including assets, liabilities, equity, revenues, expenses and cash flows arising from intra-group transactions are eliminated upon consolidation.

3.BASIS OF PREPARATION (CONTINUED)

D- Basis of Consolidation (continued):

Changes in the group's equity in existing subsidiaries

Changes in the group's ownership in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying values of the group's ownership and the non-controlling interests are adjusted to reflect changes in its ownership in the subsidiaries. Any difference between the value of the non-controlling interest adjustment and the fair value of the consideration paid or received is recognized directly in equity and attributable to the shareholders of the group.

When the group loses control over the subsidiary, any profit or loss is recognized in the consolidated income statement and is calculated on the basis of the difference between 1- the total fair value of the amount received and the fair value of any interest retained and 2- the previously listed book value of the assets (including goodwill) Liabilities of the subsidiary and any non-controlling interest. All amounts previously recognized in other comprehensive income related to that subsidiary are accounted for as if the group had eliminated the assets or liabilities of the subsidiary directly (in other words, reclassification to profit or loss or transfer to another classification in equity as specified / Allowed in accordance with International Financial Reporting Standards).
The fair value of the ratios that are retained from the investment in the previous subsidiary at the date of loss of control is considered as the fair value of the investment remaining upon initial recognition in subsequent periods in accordance with IFRS 9 and in the event that it becomes an associate company or a joint venture then the fair value is considered as a cost for the initial recognition of the investment in an associate or a joint venture.

E- Use of estimates and assumptions:

The preparation of the consolidated financial statements in accordance with (IFRS) requires the use of significant accounting estimates, which require management to make judgments when applying the company's accounting policies. The accounts that require a high degree of judgment or complexity are disclosed in note no. (4), or areas where assumptions and estimates are significant in relation to the consolidated financial statements.

F- International Financial Reporting Standards, IFRS Interpretations Committee Interpretations and new accounting adjustments:

The group's adopted the following new standards and amendments for the first time, effective January 1, 2021:

Amendments to IFRS 7 and IFRS 16 Interest Rate Measurement Correction - Phase II

Phase II adjustments address issues that arise from implementing reforms, including substituting standard rates for alternative prices. The Phase II amendments provide additional temporary exemptions from applying the hedge accounting requirements of IAS 39 and IFRS 9 to hedging relationships directly affected by the interest rate index reform.

Amendment to IFRS 16 "Leasing Contracts" - Rental concessions related to COVID-19.

As a result of the COVID-19 pandemic, rental concessions have been granted to lessees. In May 2020, the "IASB" published an amendment to IFRS 16 that provides an optional practical means for lessees to assess whether a rental concession related to COVID-19 is a lease modification. On March 31, 2021, the "IASB" published a further amendment to extend the date from June 30, 2021, to June 30, 2022. The lessees can choose to account for lease concessions the same way they would if there were no rent adjustments. In many cases, this results in accounting for the lien as variable lease payments in the period(s) in which the event or circumstance that gave rise to the reduced payment occurred.

The application of these amendments does not have a material impact on the consolidated financial statements during the year.

G- Standards issued that have not yet been implemented:

The following is a statement of the new standards and amendments to standards applied for the years beginning on or after January 1, 2020, with early application permitted, but the Group did not apply them when preparing these consolidated financial statements.

Amendments to IAS 1 "Presentation of financial statements" on the classification of liabilities

These narrowly defined amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as current or non-current, depending on the rights in place at the end of the reporting period. The rating is not affected by the entity's expectations or by events after the reporting date (for example, receipt of a waiver or breach of undertaking). The amendment also clarifies what IAS 1 means when it refers to the "settlement" of an obligation.

(Saudi Riyals)

3.BASIS OF PREPARATION (CONTINUED):

Amendments to IFRS 3 and IAS 16 and 37

- IFRS 3 "Business combinations" updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

- IFRS 16 "Property, plant and equipment" prohibits the company from deducting from the cost of property, plant, and equipment the amounts received from the sale of items produced while the company prepares the asset for its intended use. Instead, the company will recognize these sales revenue and related costs in the statement of profit or loss.

- IAS 37 "Provisions, liabilities and contingent assets" specifies the costs that a company includes when assessing whether a contract will cause a loss.

Amendments to IAS 1, Statement of Practice 2, and IAS 8

The amendments aim to improve accounting policy disclosures and help users of financial statements distinguish between changes in accounting estimates and changes in accounting policies.

Amendment to IAS 12 "Deferred tax" relating to assets and liabilities arising from a single transaction

These amendments require companies to recognize deferred tax on transactions that, on initial recognition, result in equal amounts of deductible and taxable temporary differences.

H- International Financial Reporting Standards and the interpretations of the IFRS Interpretations Committee and new accounting adjustments that have not yet been implemented.

Amendments to standards	the description	Effective for annus years beginning on or after	Summary of the amendment
IAS 16	Property, plant and equipment - proceeds before intended use	January 1, 2022	The amendments prohibit deducting from the cost of any item of property, plant, and equipment any proceeds from the sale of items produced before that asset is available for use. In addition, the modifications also clarify the meaning of "testing whether an asset is working properly."
IFRS 3	Reference to the Conceptual Framework	January 1, 2022	The amendment as a whole updated IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework.
IFRS 17	Insurance contracts	January1, 2023	This new accounting standard is comprehensive for insurance contracts that covers recognition, measurement, presentation and disclosure. Once it becomes effective, IFRS 17 (together with its subsequent amendments) will replace IFRS 4 Insurance Contracts that was issued in 2005.
IAS 1	Classification of Liabilities as Current or Non-current	January1, 2023	The amendment has clarified what is meant by a right to defer settlement, that a right to defer must exist at the end of the reporting period, that classification is unaffected by the likelihood that an entity will exercise its deferral right and that only if an embedded derivative in a convertible liability is itself an equity instrument the terms of a liability would not impact its classification
IFRS 1 And Practice Statement No. (2)	Disclosure of accounting policies	January1, 2023	This amendment deals with assisting entities in determining the accounting policies that must be disclosed in the financial statements
IAS 8	Amendment the definition of an accounting estimate	January1, 2023	These amendments clarify the definition of accounting estimates to help organizations distinguish between accounting policies and accounting estimates.
IFRS 12	Income Taxes	January1, 2023	This amendment addresses clarification regarding the accounting for deferred taxes on transactions such as lease contracts and decommissioning obligations
Amendment to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	N/A	The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary.

Management anticipates that these new standards interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and adoption of these interpretations and amendments may have no material impact on the financial statements of the Company in the period of initial application.

29. SIGNIFICANT ACCOUNTING POLICIES

4-1 Classification of assets and liabilities into current or non-current

The Group presents the assets and liabilities in the consolidated statement of financial position on a current or non-current basis. An asset is classified under current assets if:
• The expectation that the asset will be realized or that there is an intention to sell or depreciate it during the group's normal business cycle, or
• The asset is held primarily for the purpose of trading, or
• The asset is expected to be realized within 12 months after the date of the consolidated statement of financial position, or
• Being in cash or cash, unless it is forbidden to exchange the asset or use it to settle a liability within at least 12 months from the date of the consolidated balance sheet.

All other assets are classified as non-current.

A liability is considered a current liability if:
• Expecting the settlement of the obligation during the normal business cycle of the group, OR
The liability is held mainly for the purpose of trading, or
• The obligation is expected to be settled within 12 months after the date of the consolidated statement of financial position, or
• The absence of an unencumbered right to postpone the settlement of the obligation for a period of at least 12 months after the date of the consolidated statement of financial position.
The Group classifies all other liabilities as non-current liabilities.
Tax assets and liabilities are classified as non-current assets and liabilities.

4-2 Financial instruments

Financial instrument represents contracts that give rise to financial assets of one entity and financial liabilities or an ownership instrument of another entity.

4-2-1 Financial Assets

IFRS 9 includes three main categories of classification of financial assets: measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss. The Group generally classifies its financial assets on the basis of the business model under which the financial assets are managed and their contractual cash flows.

1- Financial assets at amortized cost:
A financial asset is measured at amortized cost if the following two conditions are met and the FVTPL classification is not chosen:
The asset is held within a business model that aims to hold assets to collect contractual cash flows, and
- Contractual periods for financial assets that generate cash flows on specified dates and that are only payments for principal and interest on the principal amount due for repayment.

Business Model Assessment
The group performs an objective assessment of the business model in which the asset is held at the portfolio level as this reflects the best way to manage the business and present the information to management.

2- Fair value through other comprehensive income:
Debt instruments
A debt instrument is not measured on the basis of FVTPI only if it fulfills the following two conditions and has not chosen to classify it according to FVTPL:
- The assets are held within a business model whose goal is achieved by collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset generate on specified dates cash flows that are only initial payments and interest on the outstanding principal amount.

4.SIGNIFICANT ACCOUNTING POLICIES(CONTINUED):

4-2 Financial instruments (continued)

4-2-1 Financial Assets (continued)

Equity instruments

On initial recognition of an investment in equity instruments that are not held for trading, the Group may irrevocably elect to present the subsequent changes in fair value in the consolidated statement of profit and loss and other comprehensive income. Selection is made on the basis of each investment.

3- Financial assets at FVTPL

All other financial assets are classified as measured at fair value through profit or loss.
In addition, upon initial recognition, the company may choose to classify a financial asset at fair value through profit or loss if the requirements for its classification as a financial instrument at amortized cost or at fair value through other comprehensive income do not meet the requirements, if this reduces or reduces the accounting mismatch in essence, which may appear in other matters.

Financial assets are not reclassified after initial recognition, except for the period after the Group changes its business model for managing financial assets.

Financial assets held for trading, if any, and whose performance is evaluated on the basis of fair value are measured and included in financial assets at fair value through profit or loss because they are not held to collect contractual cash flows nor are, they held to collect contractual cash flows and sell the financial assets.

Impairment of financial assets
The impairment model applied by the Group is based on the "expected losses" model as defined in IFRS 9 "Financial Instruments".
Expected credit losses are included in the relevant loss allowances at an amount equal to:
- Twelve-month expected credit losses (expected credit losses resulting from delinquencies related to financial instruments that may occur within twelve months after the reporting date); or
- Expected credit losses over the life of the financial instrument (expected credit losses resulting from all cases of delinquency over the life of the financial instrument).

A provision for impairment losses is recognized for expected credit losses over the life of the financial instrument if the credit risk of the financial instrument is significantly greater than that risk upon initial recognition, including contractual assets and trade receivables that do not include material financing elements. The life of the contractual assets and trade receivables that contain substantial financing elements in accordance with IFRS 9
Expected credit losses for other financial instruments are measured at the expected credit loss for a twelve-month period. The Group uses practical methods when estimating expected credit losses over the life of the financial instrument. As a result, life time expected credit losses of the financial instrument are calculated in relation to trade receivables using the assessment of the recoverability of the total carrying value of each customer.

Derecognition
Mainly derecognition of a financial asset (or part of a financial asset or part of a group of similar financial assets) is derecognized (i.e., excluded from the company's consolidated statement of financial position) when:
The right to receive cash flows from the asset has expired, or
The group has transferred its rights to receive cash flows from an asset or incurs an obligation to pay the cash flows received in full without material delay to a third party under a "pass" agreement, or (a) the group transfers all risks and benefits of the asset or (b) the group fails to transfer or Retaining all risks and rewards of the asset, but transfers control of the asset.
When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates whether, and to what extent, it has retained the risks and benefits associated with ownership and has not transferred or retained substantially all of the risks and rewards associated with the asset and has not transferred its control over the asset.

The asset, and the group continues to recognize the transferred asset to the extent that the group's relationship continues. In that case, the group continues to recognize also the liabilities related to the asset. The associated liability and the transferred asset are measured on a basis that reflects the rights and liabilities that the group has retained.
The continuation of the relationship, which takes the form of a guarantee on the transferred asset, is measured at the original book value of the asset and the maximum amount that the Group can be required to repay, whichever is less.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4-2 Financial instruments (continued)

4-2-2 Financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan obligations, as liabilities that are measured at amortized cost. The amortized cost is calculated by taking into account any discounts or premiums for obtaining financing, and the costs of obtaining financing form an integral part of the effective interest rate.

Derecognition

A financial liability is derecognized when it is discharged, canceled or expires. When an existing financial obligation is substituted for another from the same lender under completely different terms or the conditions of the present obligation substantially, then such replacement or amendment is treated as canceling a restriction of the original financial obligation with the recognition of the new obligation. The difference between the relevant carrying values is recorded in the consolidated statement of profit and loss and other comprehensive income.

4-2-3 Offsetting

Financial assets and financial liabilities are offset and recorded net in the consolidated statement of financial position only when there is a current enforceable right in order to settle the listed amounts and the group has the intention to settle the assets with liabilities on a net basis or realize the assets and settle the liabilities simultaneously.

4-3 Property, plant and equipment

Property, plant and equipment are recognized initially at the cost of acquisition, including any costs directly attributable to returning the assets to the site and in the condition necessary to enable them to operate in the manner intended by the Group's management. These assets are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, if any.

When the major components of items of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. Depreciation is charged to the consolidated statement of profit or loss and calculated on the straight-line method to allocate the costs of the related assets after deducting the residual values over the estimated useful lives of each item of property, plant and equipment. The following are the estimated depreciation percentages of the assets:

Buildings	4%	Furniture	10-25%
Plant and equipment	10-25%	Security system	12.5%
Cars	25%		

Impairment

The carrying values of property, plant and equipment are reviewed for the purpose of determining whether there is a decrease in their value, in the presence of events or changes in circumstances indicating that the book value may not be recoverable. When this indication exists, and when the asset's carrying value exceeds its recoverable value, which represents the fair value of the asset after deducting its selling costs or its use value, whichever is higher.

The cash-generating unit for which impairment is measured is defined as the smallest specific group of assets that produces cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The carrying amount of the asset is reduced directly to its recoverable amount if the carrying value of the asset is greater than its estimated recoverable value.

Capital work in progress

Assets under construction or development are capitalized within capital work-in-progress. Assets under construction or development are transferred to the appropriate category of property, plant and equipment, or intangible assets (depended on the nature of the project), upon the arrival of the asset to the site and / or the necessary condition to be able to operate in the manner that the management sees fit. The cost of the capital work-in-progress line includes the purchase price, the construction / development cost and any other costs directly related to the creation or acquisition of the capital work-in-progress item that appears to be management. Costs associated with testing capital work-in-progress items (before they are available for use) are capitalized net after deducting proceeds from the sale of any production during the probationary period. Capital work-in-progress is not depreciated or amortized.

Repairs and maintenance are charged to the consolidated statement of profit and loss. Repairs and maintenance expenses that increase the value of the assets or increase their useful life materially are capitalized.

The depreciation method, residual value estimates and useful life estimates are reviewed annually.

Any item of property, plant and equipment and any significant part that was initially recognized is discontinued upon disposal or when there are no future benefits expected from use or disposal. Any gains or losses arising from derecognition of any asset (which are accounted for as the difference between the net proceeds) are included.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4-3 Property, plant and equipment(continued)

Capital work in progress (continued)

Derecognition and book value of the asset) in the consolidated statement of profit and loss when the asset is no longer recognized. The carrying amount of the asset is reduced immediately to its recoverable value in the event that the book value of the asset exceeds its estimated recoverable value.

4-4 Impairment of non-financial assets

The group annually evaluates whether there are any indicators of impairment in its assets, and in case these indicators are present, the recoverable value is estimated to compare it with the book value. If it is difficult to estimate the recoverable value, the group will estimate the recoverable value of the smallest cash-generating unit, which was Assigning an asset to it and generates cash inflows for the company from continuous use and is largely independent of the company's cash inflows from assets or other cash-generating units.

The recoverable value of the asset or the cash-generating unit is the value currently in use or the fair value fewer selling costs, whichever is greater. Asset-specific risks, if the recoverable value of the asset (or cash-generating unit) is estimated at less than it carrying value, the impairment loss is recognized directly in the consolidated statement of profit or loss.

Impairment losses recognized in previous years are evaluated at the reporting date to verify that there are indications that the losses have decreased or no longer exist. Impairment losses are reversed when the estimates used in determining the recoverable value are changed, and impairment losses are also reversed to the extent that they do not exist. Where the book value of the assets exceeds the book value that could have been determined in the past, minus depreciation or amortization in case the impairment loss was not recognized.

4-5 Inventory

Inventory is measured at cost or net realizable value, whichever is lower. The cost of inventory sold during the year is recognized as an expense under the "cost of revenue" in the consolidated statement of profit or loss. The cost is determined on a weighted average basis. Inventory, production or transfer costs, and other costs incurred to equip them on site and conditions located therein, in the case of manufactured inventory and production in operation, costs include the appropriate share of other industrial costs based on normal operating capacity.

Net realizable value is the estimated selling price in the regular business cycle less the estimated selling costs.

Inventory is written off when it is not able to provide economic benefits to the group. This may be because it has been damaged, lost, stolen, or any other reason for the inability to provide economic benefits. The book value of the written off inventory is charged to the cost of revenue.

Spare parts are measured at cost or net realizable value, whichever is lower. The cost is determined on a weighted average basis. Any decline in the carrying value of the spare parts is assessed at each reporting date.

4-6 Borrowing cost

Finance costs for borrowings that are directly used to finance the construction of the assets are capitalized during the period of time required to complete those assets and prepare them for their intended use. Other borrowing costs are recorded as an expense in the period in which they are incurred and included under 'Finance Cost' in the consolidated statement of profit and loss.

4-7 Cash and cash equivalents

For the purposes of preparing the consolidated statement of cash flows, the item of cash and cash equivalents consists of cash in hand, current accounts, deposits with banks, and other highly liquid short-term investments with original maturities within three months or less of the date of acquisition, which can be easily converted into a specified cash amount and are subject to immaterial risks of change. In value and are available for group uses.

4-8 Capital

Financial instruments issued by the Group are classified as equity to the extent that they do not fulfill the definition of a financial liability or a financial asset.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4-9 Employee benefits

4-9-1 Short-term obligations

Liabilities related to wages and salaries, including non-monetary benefits, accrued leaves and travel tickets expected to be paid in full within twelve months after the end of the period in which employees provide the related services, are recognized based on the services provided by employees up to the end of the consolidated financial statement period. It is measured by the amounts expected to be paid when the liability is settled. The liabilities are presented as current employee benefit liabilities in the accrued expenses in the consolidated statement of financial position.

4-9-2 Other obligations related to long-term employee benefits

The liability or the asset is recognized in the consolidated statement of financial position in respect of the specific remuneration. The employee's end of service benefit obligation is the present value of the defined benefit obligation in the financial reporting year. The defined benefit obligation is computed annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using high-quality corporate bond interest rates in the currency in which the bonuses will be paid, and the terms of which are close to the terms of the related obligation.

The defined benefit costs are classified as follows:

Service cost

Service costs include current service cost and past service cost which are recognized directly in the consolidated statement of profit or loss.

Changes in the present value of defined benefit obligations from plan adjustments or reductions are recognized directly in the consolidated statement of profit or loss as past service costs.

Interest cost

The net interest cost is calculated by applying the discount rate to the net defined benefit obligation balance. This cost is included in the employee benefit expense in the consolidated statement of profit or loss.

Remeasurement profits or losses

Re-measurement gains or losses arising from adjustments or changes to the actuarial assumptions in the year in which they occur are recognized directly in other comprehensive income.

4-10 Provisions

A provision is recognized if, as a result of past events, it appears that the Group has a present legal or contractual obligation the amount of which can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are discounted using a current rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Provisions are reviewed at each consolidated statement of financial position date and adjusted to reflect the current best estimate.

4-11 Contingent liabilities

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 that are not fully controlled by the group, or all current liabilities arising from past events but are not established for the following reasons: (1) There is no possibility that an outflow of resources embedded in the economic benefits will be required to settle the obligation, Or (2) the amount of the obligation cannot be measured with sufficient reliability; Therefore, all of them must be evaluated at each consolidated statement of financial position date and disclosed in the consolidated financial statements of the company as a potential liability.

4-12 Right of use assets

The group recognizes right-of-use assets on the lease commencement date (i.e. the date on which the subject asset becomes available for use). Right-to-use assets are measured at cost less any accumulated depreciation and any impairment losses, and are adjusted for any remeasurement of lease obligations. The cost of right-of-use assets includes the amount of recognized lease obligations, initial direct costs incurred and lease payments made on or before the commencement of the lease, less any lease incentives received and costs of restoring the asset. Unless the Group is reasonably certain about acquiring ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated according to the straight-line method over the estimated useful life or the lease term, whichever is shorter. Right-of-use assets are subject to impairment.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4-13 Lease obligations

At the inception of a lease, the Group recognizes lease obligations that are measured at the present value of lease payments to be paid over the term of the lease. Rental payments include fixed payments (including actual fixed payments) minus any rental incentives receivable, variable rental payments that are index or rate based, and amounts expected to be paid under residual value guarantees. Lease payments also include the reasonably assured exercise price of the purchase option exercised by the Group and payments of termination fines if the lease reflects the Group's exercise of the option to terminate. Variable lease payments that are not dependent on a specific indicator or rate are recognized as an expense in the year in which the event or circumstance triggers the payment.

In calculating the present value of the lease payments, the Group uses the default borrowing rate at the inception of the lease agreement if the interest rate implicit in the lease cannot be determined easily. After the lease commencement date, the lease liability amount is added to reflect the interest increase and reduced according to the lease payments paid. In addition, the carrying amount of the lease obligation is re-measured if there is an amendment or change in the lease term; Whether it is a change in actual fixed lease payments or a change in the valuation of purchasing the underlying asset.

Short-term leases and leases with low-value assets

The Group applies the recognition exemption for short-term leases to its short-term leases for leased real estate (i.e. leases with a term of 12 months or less from the contract commencement date and does not include a purchase option), and also applies the recognition exemption for leases with low-value assets. Lease payments related to short-term leases and leases with low-value assets are recognized as an expense on the straight-line method over the term of the lease.

4-14 Borrowings

Borrowings are initially recognized at fair value (as proceeds received). Net after deducting transaction costs, if any. Subsequent to initial recognition, long-term borrowings are measured at amortized cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in the consolidated statement of profit and loss over the term of the loan using the effective interest rate method. Fees paid on loan facilities are recognized in the loan transaction costs to the extent that it is probable that some or all of the facilities are withdrawn. In this case, the fees are postponed until the facilities are withdrawn, and the fees are capitalized within the advance payments for liquidity services to the extent that there is no evidence of the possibility of withdrawing part or all of the facility, and they are amortized over the period of the related facility.

Borrowings are no longer recognized in the consolidated statement of financial position when the obligation is either settled, canceled or expires. The difference between the carrying amount of the financial liabilities that have been amortized or transferred to another party and the material consideration paid, including the transferred non-cash assets or the liabilities assumed, is recognized in the consolidated statement of profit and loss in other income or financing costs.

Borrowings are classified under current liabilities unless the company has an unconditional right to defer settlement of the obligation for a period of at least 12 months after the financial reporting year.

General and specific borrowings directly related to the purchase, construction or production of assets that qualify for capitalization are capitalized during the time period required to complete and prepare the asset for its intended use or sale, as appropriate. Qualifying assets are those that necessarily take a long period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings until they are spent on qualifying assets is deducted from borrowing costs eligible for capitalization.

Other borrowing costs are recognized as an expense in the year in which they are incurred in the consolidated statement of profit or loss.

4-15 Revenue recognition

The Group recognizes revenue from contracts with customers based on the five-step model referred to in IFRS 15, which includes:

A) Determine the contract with the customer, that is, the agreements with the group that create enforceable rights and obligations.

B) Specifying performance obligations in the contract, such as promises to transfer products or services.

C) Determining the transaction price based on the consideration that the Group expects to receive in exchange for fulfilling its performance obligations (excluding any sums collected on behalf of other parties).

D) Distribute the transaction price for each performance obligation based on the estimated independent selling price of the products or services provided to the customer.

E) Revenue is recognized when (or as soon as) the entity fulfills the conditions for performing the obligation, such as when the contracted products or services are transferred to the customer and the customer obtains control. This may be over time or at a certain point in time.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4-15 Revenue recognition (continued)

Revenue is measured at the fair value of the consideration received or receivable, taking into account the terms of payment specified in the contract and excluding taxes or fees. The specific criteria set out below must also be met before revenue is recognized. In the absence of specific conditions, the above policy is applied and the revenue is recorded when it is earned and earned.

Selling goods

Client contract revenue is recognized when control of goods or services is transferred to customers at a value that reflects the consideration expected by the company in exchange for those goods or services minus returns, trade discounts and discounts on quantities.

The goods are sold to the customer with the right to return the goods within a specified period, the group uses the estimated value method to estimate the goods that will not be returned, the group recognizes recovery liabilities instead of revenue in respect of the goods that are expected to be returned, and the right to recover the original (and corresponding adjustments to the cost of sales) is also recognized. With regard to the right to recover the asset from the customer.

4-16 Selling and marketing expenses

Selling and marketing expenses comprise all costs of selling and marketing the group's products and include advertising expenses, marketing fees and other indirect expenses related to sales.

4-17 Management expenses

Administrative expenses include indirect costs that are not identified as part of the company's cost of sales or selling and marketing activities and logistical activities of the company. Finance (costs) / income is presented as a separate line item in the consolidated statement of profit and loss.

4-18 Zakat

In accordance with the regulations of the General Authority for Zakat and Income (the "Authority"), the group is subject to Zakat. The zakat provision for the company is recognized and charged to the consolidated statement of profit and loss. Additional zakat liabilities, if any, relating to prior-year assessments are computed by GAZT in the period in which the final assessments are issued.

The group is primarily eligible to pay zakat only. Whereas, reversing the timing differences, if any, is not expected to have any material impact on the amount of Zakat in the foreseeable future, and therefore no deferred tax liability or asset has been recognized in these consolidated financial statements.

4-19 Transaction and balances in foreign currencies

Transactions in foreign currencies are converted into Saudi riyals using the exchange rate prevailing on the date of the transactions. Foreign exchange gains and losses resulting from the settlement of these transactions and from re-measurement of monetary items denominated in foreign currency at the exchange rates prevailing at the end of the year are recognized in the consolidated statement of profit and loss.

Non-monetary items are not retranslated at the end of the year and are measured at historical cost (translated using the exchange rates at the date of the transaction), except for non-monetary items measured at fair value that are translated using the exchange rates at the date on which the fair value was determined.

4-20 Earnings / (loss) per share

Basic earnings / (losses) per share

Basic earnings per share is calculated by dividing:

Profit / (loss) attributable to shareholders of the Group, net of any equity service costs other than common stock; And

On the weighted average number of ordinary shares outstanding during the financial period.

Diluted share of profits / (losses)

The numbers used in determining the basic earnings / (losses) per share are adjusted in order to arrive at the diluted share of the earnings, taking into account:

The effect of interest after income tax and other financing costs associated with a reduction in potential ordinary shares

The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all ordinary shares with the effect of the potential reduction.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.21 Segment Reports

Operating segment

The operating segment is a component of the group that carries out activities from which it may generate revenues and incur expenses, including revenues and expenses related to transactions with any of the other segment s of the group. All segment s' results are evaluated periodically by the operational decision-maker for decision-making so that decisions are taken and the performance of the resources allocated to each segment is assessed and the financial information available separately. Segment results that are reported to the operating decision-maker include items that refer directly to the segment in addition to those that can be allocated on an appropriate basis. Head office expenses, research and development costs, related assets / liabilities, and zakat assets and liabilities. The group has two operating segment s in the Kingdom of Saudi Arabia (the industrial segment - the commercial segment). Each segment has reached the quantitative limits referred to in the segment al reporting standard in the International Financial Reporting Standard No. (8). Accordingly, reports on the operating segments were disclosed in the accompanying consolidated financial statements.

Geographical segment

A geographical segment is a group of assets, operations, or establishments that engage in profitable activities in a particular economic environment that are subject to risks and returns that are different from those operating in other economic environments.

4-22 Dividends and non-dividends to shareholders

Dividends in cash or other than cash to shareholders are recognized as liabilities upon approval of the distribution. According to the Companies Law in the Kingdom of Saudi Arabia, dividends are approved upon approval by the shareholders. The amount distributed is deducted directly from equity and recognized as a liability.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The following information about significant areas of estimates, uncertainties, and significant judgments when applying accounting policies that have a material impact on the amounts included in the consolidated financial statements:

5-1 Useful lives of property, plant and equipment

The Group conducts a periodic review of the estimated useful lives and depreciation method to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

5-2 Estimation of defined benefit obligations

The cost of the defined benefit obligation and the present value of the obligation are determined using actuarial valuations. In addition, a defined liability requires assumptions that must be made for future results which mainly include an increase in salaries and benefits, and the discount rate used to convert future cash flows to present value. Any changes in these assumptions will affect the carrying amount of the liability. All assumptions are reviewed at the end of each financial year.

5-3 Zakat provision

When estimating the current Zakat due by the group, the management takes into consideration the applicable laws and GAZT decisions / provisions regarding some of the previous issues.

5-4 Impairment of non-financial assets

In assessing impairment, management estimates the recoverable amount of each cash-generating asset or unit on the basis of expected future cash flows and uses the interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of an appropriate discount rate.

5-5 Lease period

In determining the term of the lease, management takes into account all facts and circumstances that create an economic incentive to exercise the option of extension or termination. A valuation is reviewed when a material event or a material change in circumstances that affects the valuation occurs. During the current financial year, there was no material financial impact of revising the terms of the lease contracts to reflect the effect of exercising extension or termination options.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

5-6 Impairment provision for trade receivables

The Group applies the simplified method, which requires lifetime expected credit losses to be recognized since the initial measurement of receivables. The assessment of ECL requires several estimates related to customer ratings, discount rates, and general evaluation of economic conditions in the market. Management uses its best estimates and historical customer trends to assess the accounts receivable allowance under the ECL method.

5-7 Provision for slow moving and damaged inventory

The management makes a provision for slow moving, obsolete, and damaged inventory items. Estimates of net realizable value are based on the most reliable evidence at the time the estimates are made. These estimates take into account fluctuations in prices or costs directly related to events that occur at a later date on the date of the consolidated statement of financial position to the extent that these events confirm the conditions in place at the end of the year.

5-8 Potential correlations

By their very nature, potential correlations will only be settled when or when a future event or events do not occur. The evaluation of such potential correlations fundamentally involves the exercise of significant judgments and estimates of future events.

5-9 Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (when active market prices are not available). This includes making estimates and assumptions that are consistent with how market participants price the instrument. Management bases its assumption on observable lists as much as possible but this is not always available. In that case, management uses the best available information. The estimated fair values may differ from the actual prices that would be achieved in an arm's length transaction at the reporting date.

AL OMRAN INDUSTRIAL TRADING COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021
(Saudi Riyals)

. PROPERTY, PLANT AND EQUIPMENT, NET

	For the year ended 31 December 2021						
	LANDS*	BUILDINGS	TOOLS AND EQUIP-MENT	CARS	FURNITURE AND FIX-TURES	SECURITY SYS-TEMS	TOTAL
Cost							
In the beginning of the year	20,408,620	14,122,338	36,014,896	7,397,455	3,293,856	21,730	81,258,895
Additions	-	-	829,828	280,683	116,084	-	1,226,595
Disposals	-	-	-	(42,800)	(593,677)	-	(636,477)
At the end of the year	**20,408,620**	**14,122,338**	**36,844,724**	**7,635,338**	**2,816,263**	**21,730**	**81,849,013**
Accumulated depreciation							
In the beginning of the year	-	9,386,715	22,269,995	7,266,256	2,662,318	15,631	41,600,915
Charge for the year	-	521,961	2,061,305	105,046	219,801	968	2,909,081
Disposals	-	-	-	(42,800)	(593,677)	-	(636,477)
At the end of the year	-	**9,908,676**	**24,331,300**	**7,328,502**	**2,288,442**	**16,599**	**43,873,519**
Net book value	**20,408,620**	**4,213,662**	**12,513,424**	**306,836**	**527,821**	**5,131**	**37,975,494**

* As on December 31, 2020, the land value of 20,408,620 Saudi riyals is mortgaged as a guarantee in exchange for obtaining credit facilities from a local bank as shown in Note (17)

The depreciation expense was distributed as follows:	2021
Cost of sales (Note 20-1)	2,582,292
Selling and marketing expenses (Note 21)	204,496
General and administrative expenses (note 22)	122,293
	2,909,081

(Saudi Riyals)

6. PROPERTY, PLANT AND EQUIPMENT, NET (CONTINUED)

For the year ended 31 December 2020

	LANDS*	BUILDINGS	TOOLS AND EQUIP-MENT	CARS	FURNITURE AND FIXTURES	CONTROL SYS-TEMS	TOTAL
Cost							
In the beginning of the year	20,408,620	14,122,338	34,859,142	7,482,455	3,152,903	20,530	80,045,988
Additions	-	-	1,155,754	-	140,953	1,200	1,297,907
Disposals	-	-	-	(85,000)	-	-	(85,000)
At the end of the year	**20,408,620**	**14,122,338**	**36,014,896**	**7,397,455**	**3,293,856**	**21,730**	**81,258,895**
Cost							
In the beginning of the year	-	8,851,854	20,149,006	7,088,044	2,438,123	11,604	38,538,631
Additions	-	534,861	2,120,989	263,212	224,195	4,027	3,147,284
Disposals	-	-	-	(85,000)	-	-	(85,000)
At the end of the year	-	**9,386,715**	**22,269,995**	**7,266,256**	**2,662,318**	**15,631**	**41,600,915**
Net book value	**20,408,620**	**4,735,623**	**13,744,901**	**131,199**	**631,538**	**6,099**	**39,657,980**

* As on December 31, 2020, the land value of 20,408,620 Saudi riyals is mortgaged as a guarantee in exchange for obtaining credit facilities from a local bank as shown in Note (17)

The depreciation expense was distributed as follows:

	2020
Cost of sales (Note 20-1)	2,675,218
Selling and marketing expenses (Note 21)	283,775
General and administrative expenses (note 22)	188,291
	3,147,284

(Saudi Riyals)

7. RIGHT-OF-USE ASSETS, NET

7-1 Right to Use Assets

Right-to-use assets related to leased real estate are presented separately in the consolidated balance sheet.

	31 December 2021	31 December 2020
Cost		
Balance at the beginning of the year	3,011,125	3,011,125
Additions	-	-
Balance at the end of the year	3,011,125	3,011,125
Accumulated depreciation		
Balance at the beginning of the year	929,601	463,527
Charges during the year (Note 20)	464,800	466,074
Balance at the end of the year	1,394,401	929,601
The net book value as on 31 December 2021	1,616,724	
The net book value as on 31 December 2020		2,081,524

7-2 Lease liabilities

	Note	31 December 2021	31 December 2020
Balance at the beginning of the year		2,304,829	2,701,930
Interest during the year (Note 23)	23	45,000	58,260
Repayment during the year		(290,000)	(455,361)
		2,059,829	2,304,829

Lease liabilities included in the consolidated balance sheet are as follows:

	31 December 2021	31 December 2020
Non-Current	1,120,980	1,814,827
Current	938,849	490,002
Lease liabilities under the right to use assets	2,059,829	2,304,829

The following are the maturity ages of the liabilities under the lease contracts:

	31 December 2021	31 December 2020
Within one year	938,849	490,002
From one to five years	1,120,980	1,814,827
	2,059,829	2,304,829

7-3 Amounts recognized in the consolidated statement of profit or loss

	For the year ended in 31 December 2021	For the year ended in 31 December 2020
Interest on lease liabilities (Note 23)	45,000	58,260
Expenses related to short-term leases (Note 21-22)	1,580,403	1,265,491

(Saudi Riyals)

8. INVENTORY

	31 December 2021	31 December 2020
Finished goods	51,433,625	54,214,705
spare parts	36,562,470	24,597,818
raw materials	12,301,844	10,719,569
In-progress production	4,232,840	4,420,251
Total	104,530,779	93,952,343
Less: Provision for inventory impairment	(1,688,834)	(1,688,834)
	102,841,945	92,263,509

The movement in the provision for inventory impairment is as follows:

	31 December 2021	31 December 2020
Balance at the beginning of the year	1,688,834	-
Component during the year	-	1,688,834
Balance at the end of the year	1,688,834	1,688,834

9. ACCOUNT RECEIVABLES, NET

	31 December 2021	31 December 2020
Account receivables	48,402,376	39,215,200
Deducted from it:		
Provision for impairment of trade receivables	(8,942,957)	(9,147,481)
Discounts payable to customers	(1,018,865)	
	38,440,554	30,067,719

The movement in the provision for impairment of trade receivables is as follows:

	31 December 2020	31 December 2020
Balance at the beginning of the year	9,147,481	4,812,072
Component during the year (Note 22)	-	4,335,409
Written off during the year	(204,524)	-
Balance at the end of the year	8,942,957	9,147,481

10. PREPAYMENTS AND OTHER DEBIT BALANCES

	31 December 2021	31 December 2020
Advance payment suppliers	1,984,116	10,933,372
Securing documentary credits	1,999,969	1,660,575
Advanced and Employee borrowings	2,268,591	1,858,691
Expenses paid in advance	923,343	761,649
Prepaid rents	200,940	180,922
Others debit balance	290,672	235,325
	7,667,631	15,630,534
Deducted from it:		
Provision for other debit balances	(816,594)	(894,282)
	6,851,037	14,736,252

The movement in provisions for other current assets is as follows:

	31 December 2020	31 December 2020
Balance at the beginning of the year	894,282	-
Component during the year (Note 22)	-	894,282
Written off during the year	(77,688)	-
Balance at the end of the year	816,594	894,282

(Saudi Riyals)

11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Parties are considered related parties if one of the parties has the ability to control the other party or to exercise significant influence over the other party in making financial and operational decisions. Related parties consist of shareholders, board members and businesses in which shareholders and members of the board of directors, individually or collectively, have significant influence. The Group's transactions with related parties are conducted on a purely commercial basis in the normal course of business and are approved by the management.

11-1 Due to a related party:

Name of the organization	31 December 2021	31 December 2020
Abaad Real Estate Investment Company	540,758	452,249
	540,758	452,249

11-3 The most significant transactions that took place with related parties during the year are as follows:

Organization	nature of relation-ship	The nature of the transaction	The volume of transactions 31 December 2021 (receivable / (payable)	31 December 2020 (receivables / (payable)
Abaad Real Estate Investment Company	Affiliate	Expenses on behal	1,764,948	1,937,714
	Finance		(667,000)	(700,000)
	Rent		(895,000)	(547,500)

11-4 Benefits, remuneration and compensation for members of the Board of Directors and senior executives

	For the year ended in 31 December 2020		For the year ended in 31 December 2020	
	BOD members	Key management members	BOD members	Key management members
Committee members' fees	79,000	16,000	52,500	12,000
Salaries and wages	-	1,026,720	-	1,026,720
Allowances	-	338,552	-	305,423
Bonuses	110,000	510,560	95,000	-
End of service	-	101,325	-	85,560
	189,000	1,993,157	147,500	1,429,703

12. CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020
Cash in banks	3,794,521	7,906,892
Cash at hand	318,028	1,017,692
Total	4,112,549	8,924,584

12-1 non-monetary transaction

	31 December 2021	31 December 2020
Re-measuring employees' end of service benefits (Note 16)	1,154,152	1,130,097
Transfer from statutory reserve to retained earnings	993,464	80,731

13. SHARE CAPITAL

The Group's written and paid-up capital is 60 million Saudi riyals as on 31 December 2021 (31 December 2021: 60 million Saudi riyals) divided into 6 million shares (31 December 2020: 6 million shares), each share value of 10 Saudi riyals.

14. STATUTORY RESERVE

In accordance with the Articles of Association and the Companies Law in the Kingdom of Saudi Arabia, the group is required to transfer 10% of net income annually to statutory reserve until this reserve reaches 30% of its capital. This reserve is not available for distribution to shareholders.

(Saudi Riyals)

15. AGREEMENT RESERVE

This reserve was formed based on the decision of the group's board of directors with the aim of developing the group's business. This reserve is subject to increase, decrease or distribution by a decision of the group's board of directors.

16. EMPLOYEES' END OF SERVICE BENEFITS

The system provides for post-service benefits for all employees who complete a qualifying period of service and are entitled to receive amounts mentioned under the Saudi Labor and Workers Law for each year / period of this service.
The annual provision is based on the actuarial valuation. The valuation was performed as of December 31, 2021, and December 31, 2020, using the projected unit credit method.
The actuarial assumptions that have been relied upon in the calculation of employee end of service benefits are as follows:

16-1 Principal Actuarial Assumptions

	31 December 2021	31 December 2020
Discount rate	٪ 2.25-2.5	2-1,90٪
Salary increases rate (٪ per annum)	٪ 2	٪ 2
Employee turnover (٪ per annum)	٪ 10	%10

16-2 The movement in the present value of defined benefit obligations

	31 December 2021	31 December 2020
Present value at the beginning of the year	5,900,174	4,224,877
Current service cost	189,486	634,887
Interest cost	114,004	134,234
	303,490	769,121
Paid during the year	(415,390)	(223,921)
Actuarial losses / (gains)	1,154,152	1,130,097
	6,942,426	5,900,174

16-3 The sensitivity of the defined benefit obligation to changes in the weighted average for key assumptions is:

Factor	Change in assumption	31 December 2021	31 December 2020
Discount rate	%1+	6,539,224	5,564,887
	%1-	7,400,236	6,281,230
Long-term salary	%1+	7,396,839	6,278,492
	%1-	6,534,334	5,560,700
Employee turnover rate	%10+	6,941,891	5,866,524
	%10-	6,942,969	5,481,665

The sensitivity analyzes above are based on the change in one assumption while all other assumptions remain constant. In practice, this is not likely to happen as some changes in some assumptions may be related to each other. When calculating the sensitivity of employees' end of service benefits to a material actuarial assumption, the same method is applied (the present value of the employees 'defined benefit obligation calculated on the basis of the unit cost method of credit estimated at the end of the reporting period) when computing the end of service compensation for employees recognized in the consolidated statement of financial position.

(Saudi Riyals)

17. BORROWINGS

This item represents the value used from bank facilities to import goods under documentary credits issued by local banks. These borrowings are often of a renewable nature and loan fees are determined based on market prices. These borrowings are guaranteed for the benefit of the banks through the land owned by the company under the instrument number 910106038304 and bonds. For an order worth 39 million Saudi riyals (note 6).
The following is a statement of the movement of borrowings granted by local banks:

	31 December 2021	31 December 2020
Balance at the beginning of the year	**49,077,891**	24,913,358
Proceed during the year	**96,460,208**	125,788,926
Accrued financing expenses	**900,597**	603,292
Paid during the year	**(100,731,421)**	(102,227,685)
Total borrowings from local banks at the end of the year	**45,707,275**	49,077,891

	31 December 2021	31 December 2020
Current portion of the loan	**44,551,143**	47,976,807
Non-current portion of the borrowings	**1,156,132**	1,101,084
	45,707,275	49,077,891

17-1 Borrowings Terms

Some of these borrowings contain bank commitments. In the event that these pledges are not adhered to, the borrowings are repaid upon the lender's request. The pledges are monitored on a monthly basis by the management. Under the terms of the loan agreements as of December 31, 2021.
The Group's exposure to interest rate risk, foreign currency risk and liquidity risk has been disclosed in note No. (26).

18. ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	31 December 2021	31 December 2020
Advance payments clients	**7,495,896**	4,508,048
Salaries payable	**1,066,678**	989,715
Sales commissions payable	**914,958**	650,864
Accrued VAT	**876,705**	622,353
Accrued rents	**452,055**	225,972
GOSI	**105,203**	86,781
Legal provision	**-**	48,789
Accrued Professional fees	**125,000**	20,000
Remuneration and allowances	**766,000**	-
Others	**121,347**	636,906
	11,923,842	7,789,428

(Saudi Riyals)

19. ZAKAT PROVISION

A- The Zakat position

The group submitted its zakat declarations to the General Authority for Zakat and Income ("the Authority") until the year ended on December 31, 2020 and obtained a certificate from the General Authority for Zakat and Income in effect until Ramadan 9 1443H corresponding to April 30, 2022, on July 20, 2020 initial zakat assessment was made on the company Al-Omran Industrial Trading Company "the parent company" by the General Authority for Zakat and Income for the years from 2014 to 2018 amounting to 2.75 million Saudi riyals. On September 20, 2020, the group filed an objection with the General Authority for Zakat and Income and is still under examination and study by the Authority.

On October 31, 2021, a preliminary link was made to Al-Omran Company for Industry and Trade, the "parent company" by the General Authority of Zakat and Income for the years 2019 to 2020 at an amount of 1,933,471 Saudi riyals.

B- The Zakat base

	31 December 2021	31 December 2020
Zakat on the holding company		
Net income for the year before zakat	12,385,861	2,512,105
Charged allocations	1,491,782	8,234,954
Adjusted net profit (A)	13,877,643	10,747,059
Added to it:		
Capital	60,000,000	60,000,000
Statutory reserve	9,921,843	9,841,112
Agreement reserve	695,834	695,834
Actuarial reserve	(128,000)	-
Retained earnings	36,448,426	35,721,847
Accumulated allocations	17,933,169	7,812,957
Other additions	7,865,737	5,442,353
	146,614,652	130,261,162
Deducted from:		
Property, plant and equipment, net	(37,975,495)	(39,354,990)
Other deductions	(2,214,540)	(24,597,818)
Total	(40,190,035)	(63,952,808)
Zakat base (b)	106,424,617	66,308,354
Zakat is due on the share of shareholders in the holding company	2,724,187	1,704,795
Zakat for the subsidiary company	12,184	-
Total Zakat	2,736,371	1,704,795

C- Movement of zakat provision

	31 December 2021	31 December 2020
Balance at the beginning of the year	3,864,888	3,825,773
Charge for the year	2,736,371	1,704,795
Paid during the year	(3,834,598)	(1,665,680)
Balance at the end of the year	2,766,661	3,864,888

20. Cost of sales

	2021	2020
Beginning Inventory	93,952,343	68,308,865
Purchases	96,507,261	120,605,811
Operating expenses (20-1)	12,464,808	14,333,740
	202,924,412	203,248,416
Deducted from:		
Ending Inventory	104,530,779	93,952,343
Cost of sales	98,393,633	109,296,073

(Saudi Riyals)

21. Cost of sales (CONTINUED)

20.1 operating expenses

	2021	2020
Salaries, wages and equivalents	6,964,424	6,359,813
Depreciation of property, plant and equipment (Note 6)	2,582,292	2,675,218
Electricity and water	652,412	621,943
Maintenance and repair	466,804	529,502
Provision expense for inventory impairment	-	1,688,834
Fuels	254,201	240,867
Rentals	224,552	353,298
Governmental fees	275,084	694,327
Slicing and cutting	210,121	194,462
Travel and transportation	206,548	114,473
Hospitality and cleanliness	88,145	114,718
Telephone and mail	67,688	73,153
Transportation expenses	46,592	136,053
Banking expenses	11,841	31,602
Stationery and prints	1,596	1,477
Others	412,508	504,000
	12,464,808	**14,333,740**

21. SELLING AND MARKETING EXPENSES

	2021	2020
Salaries, wages and equivalents	**4,928,977**	4,445,998
Discounts payable to customers	**2,604,956**	1,615,299
Transportation expenses	**1,471,223**	1,579,414
Maintenance and repair	**1,134,632**	1,541,636
Commission sales	**1,383,666**	1,325,485
Rentals	**1,424,903**	1,226,616
Governmental fees	**208,599**	510,223
Amortization of right-of-use assets (Note 7)	**464,800**	466,074
Depreciation of property, plant and equipment (Note 6)	**204,496**	283,775
Subsistence expenses	**270,795**	247,504
Fuels	**189,630**	158,033
Telephone and mail	**97,464**	152,083
Advertising	**33,730**	144,187
Electricity and water	**126,163**	104,913
Travel and transportation	**225,090**	80,719
Hospitality and cleanliness	**32,797**	34,018
Stationery and prints	**10,079**	23,632
Banking expenses	**64,979**	20,859
Consulting fees	**8,000**	-
Others	**61,317**	137,025
	14,946,296	14,097,493

(Saudi Riyals)

22. GENERAL AND ADMINISTRATIVE EXPENSES

	2021	2020
Provision for account receivables (note 9)	-	4,335,409
Salaries, wages and equivalents	**4,485,416**	3,792,205
Provision expense for other current assets (note 10)	-	894,282
Banking expenses	**278,125**	467,154
Consulting fees	**572,950**	430,422
Fines	-	243,221
Depreciation of property, plant and equipment (Note 6)	**122,293**	188,291
Travel and transportation	**72,908**	128,068
Telephone and mail	**117,522**	120,581
Governmental fees	**166,307**	120,440
Maintenance and repair	**33,097**	49,107
Allocated case expense	-	48,789
Electricity and water	**26,316**	42,597
Rentals	**155,500**	38,875
Hospitality and cleanliness	**5,020**	23,856
Fuels	**10,957**	11,353
Stationery and prints	**7,064**	5,993
Others	**233,120**	200,800
	6,286,595	11,141,443

23. FINANCE COST

	2021	2020
Lease obligations benefits (Note 7)	**45,000**	58,260
Loan financing costs	**2,022,139**	1,334,957
	2,067,139	1,393,217

24. LOSS / GAIN PER SHARE

The basic and diluted share of operating income and net income is calculated by dividing the operating income and net income by the weighted average of the number of ordinary shares outstanding at the end of the year. The number of shares outstanding as on December 31, 2021, reached 6 million shares (6 million shares: December 31, 2020).

There was no downgrade item affecting the weighted average number of common shares.

25. CONTINGENT LIABILITIES

The group obtained banking facilities in the form of letters of guarantee and documentary letters of credit from local banks as follows:

	31 December 2021	31 December 2020
Letters of credit	**19,451,994**	16,516,741
	19,451,994	16,516,741

26. SEGMENT INFORMATION

Segment information relates to the group's activities and business, which the group's management has relied on as a basis for preparing its financial information, for its compatibility with internal reporting methods. Transactions between segment s are carried out on the same terms as dealing with other parties.

Segment s' assets, liabilities and operating activities include items directly related to a specific segment and items that can be distributed among the different segments on reasonable basis.
The following is a summary of the financial segment information in Saudi riyals as on December 31, 2021, and December 31, 2020, respectively, according to the nature of the activity:

31 December 2021	Industrial segment	Commercial segment	Total
Revenue	60,205,880	75,034,627	135,240,507
Cost of sales	38,563,317	59,830,316	98,393,633
Gross profit	**21,642,563**	**15,204,311**	**36,846,874**
Selling and marketing expenses	9,357,389	5,588,907	14,946,296
General and administrative expenses	2,788,734	3,497,861	6,286,595
Profit from operating	**9,496,440**	**6,117,543**	**15,613,983**
Finance costs	1,404,508	662,631	2,067,139
Provision expense for contingent Liabilities	498,606	498,605	997,211
Other income	13,652	13,653	27,305
profit before zakat	**7,606,978**	**4,969,960**	**12,576,938**
Zakat	1,274,112	1,368,185	2,642,297
profit for the year	**6,332,866**	3,601,775	9,934,641

31 December 2020	Industrial segment	Commercial segment	Total
Revenue	54,599,345	84,763,289	139,362,634
Cost of sales	39,860,543	69,435,530	109,296,073
Gross profit	**14,738,802**	**15,327,759**	**30,066,561**
Selling and marketing expenses	8,543,166	5,554,327	14,097,493
General and administrative expenses	3,851,597	7,289,846	11,141,443
Profit from operating	**2,344,039**	**2,483,586**	**4,827,625**
Finance costs	697,608	695,609	1,393,217
Provision expense for contingent Liabilities	575,000	575,000	1,150,000
Other income	1,700	1,700	3,400
profit before zakat	**1,073,131**	**1,214,677**	**2,287,808**
Zakat	852,398	852,397	1,704,795
profit for the year	**220,733**	362,280	583,013

External sales did not meet any of the quantitative limits referred to in the International Financial Reporting Standard No. (8) "Operating Segment s", and accordingly, the geographical segment information was not disclosed.

(Saudi Riyals)

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's principal financial liabilities include borrowings and trade payables, accrued expenses, other current liabilities, due to a related party and lease obligations. The Group's principal financial assets consist of cash and cash equivalents, account receivables, due from a related party, and other current assets. The main financial risks arising from the Group's financial instruments are market risk (including interest rate risk and foreign exchange risk), credit risk and liquidity risk. Management reviews and conforms to policies to manage these risks.

27-1 Market risk

It is the risk of fluctuation in a financial instrument due to changes in prices prevailing in the market, such as foreign exchange rates and interest rates, which affects the group's income or the value of its financial instruments. Market risk management aims to manage and control exposure to market risk within acceptable limits while maximizing returns. There has been no change in the Group's exposure to market risks or the manner in which these risks are managed and how they are measured.

27-1-1 Interest rate risk

Interest rate risk is the exposure to various risks associated with the impact of fluctuations in the prevailing interest rates on the group's financial position and cash flows. The Group is exposed to interest rate risk on its interest-bearing assets and liabilities, which mainly represent bank facilities and borrowings. Management limits interest rate risk by monitoring interest rate changes. Management monitors the changes in interest rates and believes that the cash flow risk and the interest rate risk on the fair value of the Group are not material.

The receivables and payables of the Group carried at amortized cost are not subject to interest rate risk as defined in IFRS 7, where the carrying value or future cash flows do not change due to the change in interest rates in the market. Consequently, the Group is not exposed to fair value interest rate risk.

Sensitivity analysis

The following table shows the income sensitivity to reasonably possible changes in interest rates while other variables are held constant. There is no direct impact on the group's equity.

For the year ended in	Increase / decrease in base points at interest rates	The effect on the income of the year
31 December 2021	+1	(457,073)
	-1	457,073
31 December 2020	+1	(480,925)
	-1	480,925

27-1-2 Foreign currency risk

Foreign currency risk is the risk of fluctuation in the value of financial instruments due to changes in foreign exchange rates. Foreign currency risk arises when future commercial transactions, assets and liabilities are recognized in a currency other than the Saudi riyal. The company's exposure to foreign currency risk is limited mainly to euro and US dollar transactions, the company's management believes that its exposure to foreign currency risk is limited as the Saudi riyal is pegged to the US dollar. Fluctuations in the euro exchange rates are monitored on an ongoing basis.

The management monitors fluctuations in foreign exchange rates and believes that the company is not substantially exposed to changes in exchange rates, and given that the company's transactions in euros are very few, the management believes that it is not effective.

27-2 Credit risk

It is the risk that one party will not be able to fulfill its obligations, causing financial losses to the other party. The Group does not have significant concentration of credit risk. Cash and cash equivalents are deposited with local banks with high credit ratings. Account and other receivables are mainly due from customers in the local market and are shown at their estimated collectible value. The Group has policies in place to reduce its exposure to credit risk. The carrying values of financial assets represent the maximum credit risk:

27-2 Credit risk (continued)

ACCOUNTS RECEIVABLE

	Book Value	Current	30-60 days	61-90 days	91-180 days	181-270 days	More than 271	Provision
2021	**48,402,376**	**14,574,422**	**9,116,120**	**7,110,925**	**9,314,557**	**1,060,918**	**7,225,434**	**(8,942,957)**
2020	39,215,200	9,336,806	9,592,469	3,611,672	7,426,015	892,739	8,355,499	(9,147,481)

(Saudi Riyals)

27.FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

27-3 Liquidity risk

This is the risk that the Group will encounter difficulty in obtaining the necessary financing to meet obligations associated with financial instruments. Liquidity risk may arise when the inability to sell a financial asset quickly at a value close to its fair value. Liquidity risk is managed through regular monitoring of the adequacy of liquidity available to meet the group's financial obligations. The group's approach to managing liquidity is to ensure that it has sufficient liquidity to meet its liabilities when due, under normal and accepted conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The following table summarizes the company's financial liabilities in the related maturity groups based on the remaining period at the date of the consolidated statement of financial position and up to the contractual maturity date. The amounts shown in the table are the contractual undiscounted cash flows.

31 December 2021	Book Value	Less than 1 year	1-5 Years	More than 5 years
Borrowings	45,707,275	44,551,143	1,156,132	-
Trade payables	4,177,949	4,177,949	-	-
Accrued expenses and other current liabilities	12,120,497	12,120,497	-	-
Due to a related party	540,758	540,758	-	-
Lease liabilities	2,059,829	197,917	1,861,912	-
	64,606,308	**61,588,264**	**3,018,044**	-

31 December 2020	Book Value	Less than 1 year	1-5 Years	More than 5 years
Borrowings	49,077,891	47,976,807	1,101,084	-
Trade payables	10,722,234	10,722,234	-	-
Accrued expenses and other current liabilities	7,789,428	7,789,428	-	-
Due to a related party	452,249	452,249	-	
Lease liabilities	2,304,829	490,002	1,814,827	-
	70,346,631	**67,430,720**	**2,915,911**	-

27-4 Fair value

The fair value is the amount for which an asset could be exchanged, or a liability settled in a transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- Through the primary market for the asset or liability, or
- Through the market that is most beneficial to the asset or liability in the absence of the main market.

The primary or most beneficial market must be available for the group to access.

The fair value of an asset or liability is measured using assumptions used by market parties when pricing the asset or liability on the assumption that market participants are working in the best economic interests of them.

The fair value measurement of a non-financial asset takes into account the ability of market parties to provide economic benefits by using the asset to achieve the best benefit from it or by selling it to another market party to use it in a manner that achieves the best benefit from it.

The Group uses valuation techniques that are appropriate to the circumstances and conditions and has sufficient data to measure the fair value, maximizing the use of relevant observable data, and minimizing the use of unobservable data to the greatest extent.

All assets and liabilities for which fair values are measured or whose fair values are disclosed in the consolidated financial statements are categorized within the scope of the fair value hierarchy described below based on the lowest level data that is significant to the fair value measurement as a whole:

- The first level: prices traded in active markets for the same assets or liabilities.
- The second level: other valuation techniques in which the minimum significant inputs are observable, directly or indirectly, to the fair value measurement.

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

27-4 Fair value (CONTINUED)

• Level 3: other valuation techniques in which the minimum significant inputs that are relevant to the fair value measurement are unobservable.

With regard to assets and liabilities included in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the above hierarchy by re-evaluating classification (based on the lowest level inputs that are significant to the fair value measurement as a whole) at the end of each period of preparation Consolidated Financial Statements.

The carrying value of financial assets that cannot be measured at fair value is the approximate value of their fair value. All financial liabilities are measured on an amortized cost basis, which reasonably approximates their fair value.

28. SIGNIFICANT EVENTS

Referring to the events related to the spread of the Covid-19 virus and the consequent impact of business segment s at the global level, the group has taken many measures and measures necessary to protect the group and its workers and continue to work to improve the performance of the group.

Despite these challenges, the group faced similarly to the rest of the companies, the group's operations are still largely unaffected. This is because the group has implemented the policies to cope well with the crisis, and the group will disclose any material changes in the future if they occur. The management does not believe that there is any factor causing the change in the pandemic conditions that may affect the company's operations during 2022.

29. APPROVAL OF THE FINANCIAL STATEMENTS

The Consolidated Financial Statements for the year ended 31 December 2020 were approved by the Board on 21 Shabaan 1443H corresponding to 24 March 2021.