HERFY FOOD SERVICES COMPANY
(A Saudi Joint Stock Company)
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Herfy Food Services Company
(Saudi Joint Stock Company)
Riyadh-Kingdom of Saudi Arabia

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Herfy Food Services Company ("the Company"), which comprise the statement of financial position as at December 31, 2020, and the statement of profit or loss, comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA").

Basis for Opinion

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

Key Audit Matters

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

INDEPENDENT AUDITOR'S REPORT (continued)

To the Shareholders of Herfy Food Services Company
(Saudi Joint Stock Company)
Riyadh-Kingdom of Saudi Arabia

Key Audit Matters (Continued)

Key Audit Matters	How our audit addressed the key audit matter
Inventory Valuation – Net Realizable Value (NRV) assessment	
The impairment assessment for Inventory is considered as a key audit matter due to the size of the balance (Inventory: SR 105 Million) and the significant judgments made by management in the valuation of inventories. The main assumption relates to the existence of impairment indicators or their absence to validate the provision and/or reversal of provision recorded by the Company against the inventory. Inventory should be stated at lower of cost and Net Realizable Value ("NRV"). *Refer to note 4.4 to the Financial Statements for the Inventory Policy and note 11 for the breakup of Inventory and movement in provision for damaged and slow-moving inventory.*	Our audit was focused on NRV of inventory that existed at year-end, due to the estimates involved in calculating the NRV and comparing it with provision recorded by management. We have verified the procedures performed by management and performed a critical assessment of the Inventory valuation and NRV review process. Our opinion is based on the following audit procedures: • We reviewed the estimate of costing method and accounting policy that is used by the Company to value its inventories. • We attended the physical inventory count of the Company's inventory and analyzed the condition of damaged and slow-moving inventories. • We inquired management personnel for their rationale of recording inventory provision/reversal and their assessment of inventory valuation. • We tested on a sample basis for NRV from each business unit to ensure that we have covered all operating segments. • We compared the NRV with the weighted average cost and provision recorded by the management to conclude whether the inventory is recorded at lower of cost and NRV.

INDEPENDENT AUDITOR'S REPORT (continued)

To the Shareholders of Herfy Food Services Company
(Saudi Joint Stock Company)
Riyadh-Kingdom of Saudi Arabia

Other Matter

The financial statements of the Company for the year ended 31 December 2019, were audited by another auditor who expressed an unmodified opinion on those statements on 19 February 2020.

Other Information

Other information consists of the information included in the Company's 2020 annual report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report.

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

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

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

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

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

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

INDEPENDENT AUDITOR'S REPORT (continued)

To the Shareholders of Herfy Food Services Company
(Saudi Joint Stock Company)
Riyadh-Kingdom of Saudi Arabia

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement 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.

INDEPENDENT AUDITOR'S REPORT (continued)

To the Shareholders of Herfy Food Services Company
(Saudi Joint Stock Company)
Riyadh-Kingdom of Saudi Arabia

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

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

For Al-Bassam & Co.

Ibrahim Ahmed Al-Bassam

Certified Public Accountant
License No. 337
Riyadh on: 25 Rajab 1442 H
Corresponding to: 9 March 2021 G

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

HERFY FOOD SERVICES COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at 31 December 2020	2019
ASSETS			
Non-current assets			
Property, plant and equipment	6	**999,147,629**	1,043,497,337
Right-of-use assets	7.1	**536,621,492**	582,864,247
Net investment in finance lease	8	**8,252,527**	10,928,911
Intangible assets	9	**11,075,199**	15,442,588
Investment properties	10	**26,676,726**	29,880,890
		1,581,773,573	1,682,613,973
Current assets			
Inventories	11	**104,944,226**	156,765,511
Trade, other receivables and prepayments	12	**137,952,417**	134,471,185
Net investment in finance lease – current portion	8	**2,685,880**	1,534,095
Investment carried at FVTPL	13	**2,791,364**	26,515,939
Cash and cash equivalents	14	**118,930,514**	25,943,078
		367,304,401	345,229,808
TOTAL ASSETS		**1,949,077,974**	2,027,843,781
EQUITY AND LIABILITIES			
EQUITY			
Share capital	15	**646,800,000**	646,800,000
Statutory reserve	16	**85,782,785**	80,498,899
Retained earnings		**226,812,051**	270,687,385
TOTAL EQUITY		**959,394,836**	997,986,284
LIABILITIES			
Non-current liabilities			
Long-term borrowings	17	**36,780,108**	57,493,089
Lease liabilities	7.2	**457,385,932**	496,966,719
Employees' post-employment benefits	18	**93,527,855**	72,900,362
		587,693,895	627,360,170
Current liabilities			
Long-term borrowings – current portion	17	**24,317,472**	67,810,657
Lease liabilities – current portion	7.2	**92,517,463**	82,361,166
Short-term borrowing	19	**100,278,955**	70,000,000
Trade and other payables	20	**171,207,902**	168,658,053
Provision for zakat	21.1	**13,667,451**	13,667,451
		401,989,243	402,497,327
TOTAL LIABILITIES		**989,683,138**	1,029,857,497
TOTAL EQUITY AND LIABILITIES		**1,949,077,974**	2,027,843,781
Contingencies and Commitments	22		

The accompanying notes 1 to 36 form part of these financial statements

HERFY FOOD SERVICES COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2020
(All amounts in Saudi Riyals unless otherwise stated)

	Note	2020	2019
Revenue	23	**1,076,083,334**	1,288,310,097
Cost of revenue	24	**(826,494,361)**	(895,673,109)
GROSS PROFIT		**249,588,973**	392,636,988
Other income, net	25	**23,936,094**	16,787,419
Realized gain on investments carried at FVTPL	13	**802,888**	576,805
Unrealized gain on investments carried at FVTPL	13	**195,942**	51,531
Provision for impairment on net investment in finance lease	8	**(1,116,707)**	-
Provision for impairment on trade and other receivables	12.5	**(11,296,189)**	(2,000,000)
Selling and distribution expenses	26	**(84,003,368)**	(85,572,897)
General and administrative expenses	27	**(86,776,599)**	(83,476,299)
OPERATING PROFIT		**91,331,034**	239,003,547
Finance cost	28	**(33,132,376)**	(37,858,207)
NET PROFIT BEFORE ZAKAT		**58,198,658**	201,145,340
Zakat	21.1	**(5,359,797)**	(5,057,700)
NET PROFIT FOR THE YEAR		**52,838,861**	196,087,640
Earnings per share (SR)	29		
-Basic		**0.82**	3.03
-Diluted		**0.82**	3.03

The accompanying notes 1 to 36 form part of these financial statements

HERFY FOOD SERVICES COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020
(All amounts in Saudi Riyals unless otherwise stated)

	Note	2020	2019
NET PROFIT FOR THE YEAR		**52,838,861**	196,087,640
OTHER COMPREHENSIVE LOSS			
Items that will not be reclassified to profit or loss			
Remeasurement loss on employees' post-employment benefits	18.2	**(17,682,309)**	(335,883)
Total other comprehensive loss		**(17,682,309)**	(335,883)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**35,156,552**	195,751,757

The accompanying notes 1 to 36 form part of these financial statements

HERFY FOOD SERVICES COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Share capital	Statutory reserve	Retained earnings	Total equity
Balance as at 1 January 2019		646,800,000	59,389,111	226,678,377	932,867,488
Adjustment for IFRS 16		-	692,837	6,235,532	6,928,369
Adjusted balance as at 1 January 2019		646,800,000	60,081,948	232,913,909	939,795,857
Net profit for the year		-	-	196,087,640	196,087,640
Other comprehensive loss for the year		-	-	(335,883)	(335,883)
Total comprehensive income for the year		-	-	195,751,757	195,751,757
Dividends distributed	34	-	-	(135,828,000)	(135,828,000)
Board remuneration	5	-	-	(1,733,330)	(1,733,330)
Transfer to statutory reserve		-	20,416,951	(20,416,951)	-
Balance as at 31 December 2019		**646,800,000**	**80,498,899**	**270,687,385**	**997,986,284**
Net profit for the year		-	-	**52,838,861**	**52,838,861**
Other comprehensive loss for the year		-	-	**(17,682,309)**	**(17,682,309)**
Total comprehensive income for the year		-	-	**35,156,552**	**35,156,552**
Dividends distributed	34	-	-	**(71,148,000)**	**(71,148,000)**
Board Remuneration	5			**(2,600,000)**	**(2,600,000)**
Transfer to statutory reserve		-	**5,283,886**	**(5,283,886)**	-
Balance as at 31 December 2020		**646,800,000**	**85,782,785**	**226,812,051**	**959,394,836**

The accompanying notes 1 to 36 form part of these financial statements

HERFY FOOD SERVICES COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020
(All amounts in Saudi Riyals unless otherwise stated)

	Note	2020	2019 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit before zakat		**58,198,658**	201,145,340
Adjustments for:			
Depreciation on property, plant and equipment	6	**92,583,622**	80,834,632
Depreciation on right-of-use assets	7	**73,586,464**	76,978,699
Amortization of intangible assets	9	**2,893,819**	2,503,083
Depreciation on investment property	10	**3,515,137**	4,174,822
Provision for slow-moving items	11.1	**14,684,582**	-
Provision for impairment on trade and other receivables	12.5	**11,296,189**	2,000,000
Provision for impairment on net investment in finance lease	8	**1,116,707**	-
Provision for impairment on intangible assets	9	**3,627,242**	-
Provision for impairment on property, plant and equipment	6	**3,275,633**	-
Provision for employees' post-employment benefits	18	**10,163,940**	11,246,520
Unrealized gain on investments carried at FVTPL, net	13	**(195,942)**	(51,531)
Realized gain on investments carried at FVTPL	13.1	**(802,888)**	(576,805)
Loss / (gain) on disposal of property, plant and equipment	25	**1,905,285**	(1,496,618)
Interest income	8	**(323,398)**	(549,124)
Finance cost	28	**33,132,376**	37,858,207
Movement in working capital			
Inventories		**37,136,703**	(41,392,779)
Trade, other receivables and prepayments		**(11,325,517)**	46,317,077
Trade and other payables		**(4,077,937)**	(20,281,652)
Cash generated from operating activities		**330,390,675**	398,709,871
Zakat paid	21.1	**(5,359,797)**	(1,104,067)
Employees' post-employment benefits paid	18.2	**(4,042,874)**	(4,209,698)
Net cash generated from operating activities		**320,988,004**	393,396,106
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	6	**(54,766,631)**	(68,500,312)
Purchase of intangible assets	9	**(2,153,672)**	(7,722,247)
Purchase of investment property	10	**(310,973)**	(877,711)
Purchase of investments carried at FVTPL	13.1	**(195,000,000)**	(235,000,000)
Sale proceeds of investments carried at FVTPL	13.1	**220,000,000**	240,000,000
Purchase of equity investment carried at FVTPL	13.2	**(276,595)**	-
Lease rental received	8	**731,290**	1,852,500
Proceeds from the sale of property, plant and equipment		**1,351,799**	5,520,157
Net cash used in investing activities		**(30,424,782)**	(64,727,613)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term borrowings		**-**	42,713,970
Repayment of long-term borrowings		**(67,404,264)**	(170,881,381)
Movement in short-term borrowings, net		**28,227,408**	70,000,000
Lease liabilities paid	7.2	**(84,650,930)**	(124,019,821)
Board of directors' remuneration paid	5	**(2,600,000)**	(1,733,330)
Dividend paid	34	**(71,148,000)**	(135,828,000)
Net cash used in financing activities		**(197,575,786)**	(319,748,562)
Net change in cash and cash equivalents		**92,987,436**	8,919,931
Cash and cash equivalents at beginning of the year	14	**25,943,078**	17,023,147
Cash and cash equivalents at end of the year	14	**118,930,514**	25,943,078

The accompanying notes 1 to 36 form part of these financial statements

1. LEGAL STATUS AND OPERATIONS

Herfy Food Services Company ("the Company") is a Saudi Joint-Stock Company formed under the laws of the Kingdom of Saudi Arabia and registered under the commercial register under No. 7000329776 on 04 Jamad-ul-Awal 1401H (corresponding to 09 March 1981).

The Company is engaged in establishing and operating restaurants, providing companies and others with cooked meals, production and sale of bakery and pastry products, the sale and purchase of lands for the purpose of constructing building and own use, maintaining, and leases stores and food store fridges.

As at 31 December 2020, the total number of restaurants owned and leased by the Company are 40 and 348 respectively (31 December 2019: 40 owned and 342 leased), operating in the Kingdom of Saudi Arabia under the trademark of "HERFY". The Company also operates bakeries and bakery shops "Herfy Bakeries / Doka"

The accompanying financial statements include the accounts of the Company's head office and aforementioned restaurants, bakeries, shops and factories.

The Company's Head Office is located at the following address:
Herfy Food Services Company
Al Moroug District
P.O. Box 86958
Riyadh 11632
Kingdom of Saudi Arabia

The Company has the following branches:

S. No	Branch	C.R. No.	Date
1	Herfy Meat Processing Factory	7006522085	25 Safar 1441 H
2	Herfy Factory for Cake & Pasties	7012209644	25 Ramadan 1441 H

2. BASIS OF PREPARATION

2.1. STATEMENT OF COMPLIANCE

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA").

2.2. BASIS OF MEASUREMENT

These financial statements are prepared under the historical cost method except for the following:

a) Investments that are measured at fair value; and
b) Employees' post-employment benefits recognized at the present value of future obligations using the Projected Unit Credit Method.

2.3. FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements have been presented in Saudi Riyals (SR) which is the Company's functional and presentation currency. All financial information presented in SR has been rounded to the nearest SR, unless otherwise mentioned.

2. BASIS OF PREPARATION (CONTINUED)

2.4. NEW AMENDED STANDARDS AND INTERPRETATIONS

NEW AMENDED STANDARDS AND INTERPRETATIONS THAT ARE EFFECTIVE:

Impact of the initial application of COVID-19-Related Rent Concessions Amendment to IFRS 16
In May 2020, the IASB issued COVID-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
c) There is no substantive change to other terms and conditions of the lease

In the current financial year, the Company has applied the amendment to IFRS 16 from its effective date.

Impact on accounting for changes in lease payments applying for the exemption.

The Company has applied the practical expedient retrospectively to all rent concessions that meet the conditions in IFRS 16:46B, and has not restated prior period figures.

The Company has benefited from SR 11 million waivers of lease payments on leases. The waiver of lease payments of SR 11 million has been accounted for as a negative variable lease payment in the statement of profit or loss see note 25. The Company has derecognized the part of the lease liability that has been extinguished by the waiver of lease payments, consistent with the requirements of IFRS 16.

In the current year, the Company has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IAS 1 and IAS 8	Definition of material	January 1, 2020	The amendments provided a new definition of material and clarified that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements.

2. BASIS OF PREPARATION (CONTINUED)

2.4. NEW AMENDED STANDARDS AND INTERPRETATIONS (CONTINUED)

NEW AMENDED STANDARDS AND INTERPRETATIONS THAT ARE EFFECTIVE (CONTINUED):

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IFRS 3	Definition of business	January 1, 2020	The amendment clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs.
Revised Conceptual Framework for Financial Reporting	Amendments to references Conceptual Framework in IFRS Standards and updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.	January 1, 2020	The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.
IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform	January 1, 2020	A fundamental review and reform of major interest rate benchmarks is being undertaken globally. The International Accounting Standards Board (“IASB”) is engaged in a two-phase process of amending its guidance to assist in a smoother transition away from IBOR.

2. BASIS OF PREPARATION (CONTINUED)

2.4. NEW AMENDED STANDARDS AND INTERPRETATIONS (CONTINUED)

NEW AND REVISED IFRS STANDARDS AND AMENDMENTS IN ISSUE BUT NOT YET EFFECTIVE:

At the date of authorization of these financial statements, the Company has not applied the following new and revised IFRS standards that have been issued but are not yet effective:

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2	January 1, 2021	These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms. The amendments also introduce new disclosure requirements to IFRS 7 for hedging relationships that are subject to the exceptions introduced by the amendments to IFRS 9.
IAS 37	Onerous Contracts – Cost Fulfilling a Contract	January 1, 2022	The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract. These amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments.

2. BASIS OF PREPARATION (CONTINUED)

2.4. NEW AMENDED STANDARDS AND INTERPRETATIONS (CONTINUED)

NEW AND REVISED IFRS STANDARDS AND AMENDMENTS IN ISSUE BUT NOT YET EFFECTIVE (CONTINUED):

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IFRS 16, IFRS 9, IAS 41 and IFRS 1	Annual Improvements to IFRS Standards 2018–2020	January 1, 2022	IFRS 16: The amendment removes the illustration of the reimbursement of leasehold improvements IFRS 9: The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender. The amendment is to be applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. IAS 41: The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. IFRS 1: The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation difference.
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	January 1, 2022	The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use. Additionally, the amendments also clarify the meaning of 'testing whether an asset is functioning 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.

2. BASIS OF PREPARATION (CONTINUED)

2.4. NEW AMENDED STANDARDS AND INTERPRETATIONS (CONTINUED)

NEW AND REVISED IFRS STANDARDS AND AMENDMENTS IN ISSUE BUT NOT YET EFFECTIVE (CONTINUED):

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IAS 1	Classification of Liabilities as Current or Non-current	January 1, 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
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 not result in material impact on the financial statements of the Company in the period of initial application.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES, AND ASSUMPTIONS

In preparing these financial statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES, AND ASSUMPTIONS (CONTINUED)

Critical judgments in applying the Company's accounting policies
The following are the critical judgments, apart from those involving estimations described below, that the management has made in the process of applying the Company's accounting policies and have the most significant effect on the amounts recognized in the financial statements.

COVID-19 assessment
On 11 March 2020, the World Health Organization ("WHO") declared the Coronavirus ("COVID-19") outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia, in particular, has implemented closure of borders, released social distancing guidelines and enforced countrywide lockdowns and curfews.

Oil prices have also witnessed significant volatility during the current period, owing not just to demand issues arising from COVID-19 as the world economies go into lockdown, but also supply issues driven by volume which had predated the pandemic.

Collectively, these current events and the prevailing conditions require the Company to analyze the likely impact of these events on the Company's business operations. The Board of Directors and the management of the Company evaluated the situation and, accordingly activated its business continuity planning and other risk management practices to manage the potential business disruption COVID-19 outbreak had on its operations and financial performance. Under the current situation, the scale and duration of this outbreak and its impact on credit, market and operational risks still remains uncertain and the Board of Directors and management of the Company is continuously evaluating the evolving situation in liaison with the regulatory authorities. The related further quantification of impact cannot be ascertained at this point.

During the year the Company has received government grant amounting to SR 1,031,263 from Saudi Electric Company for reimbursement of utilities costs see Note 25. These grants are recognized under other income in statement of profit or loss.

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.

Determination of discount rate for present value calculations
Discount rate represents the current market assessment of the risks specific to the Company, taking into consideration the tenure of the agreement and the individual risks of the underlying assets. The discount rate calculation is based on the specific circumstances of the Company.

Actuarial valuation of employees' post-employment benefits
The cost of the post-employment benefits ("employee benefits") under the defined benefit plan is determined using the projected unit credit method. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and rate of employee turnover. Due to the complexity of the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed on an annual basis or more frequently, if required.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES, AND ASSUMPTIONS (CONTINUED)

Critical judgments in applying the Company's accounting policies (continued)

Fair value measurement and valuation process
Certain Company's assets and liabilities are measured at fair value for financial reporting purposes. The Company's management is responsible to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Company engages third party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

Useful lives of property and equipment and intangibles
As described in note 4, the Company estimates the useful lives of property and equipment and intangibles at the end of each annual reporting period. This estimate is determined after considering expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges are adjusted where management believes the useful lives differ from previous estimates.

Provision for zakat
Management has assessed the zakat position having regard to the local zakat legislation, decrees issued periodically and conventions. Interpretation of such legislation decrees and conventions are not always clear and entail completion of assessment by the General Authority of Zakat and Tax ("GAZT").

4. SIGNIFICANT ACCOUNTING POLICIES

4.1. Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment in value, except for land and capital work in progress which are stated at cost and are not depreciated. Capital work in progress represent costs relating directly to the new projects in progress and are capitalized as property, plant and equipment when the project is completed. However, depreciation on such assets under construction commences when the asset becomes available for use.

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company and amount can be measured reliably.

Finance costs on borrowings to finance the construction of the qualifying assets, if any, are capitalized during the period of time that is required to substantially complete and prepare the qualifying asset for its intended use.

When parts of property, plant and equipment are significant in cost in comparison to the total cost of the item, and where such parts/components have a useful life different than other parts and are required to be replaced at different intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognized in the statement of profit or loss as incurred.

Depreciation is calculated from the date the item of property, plant and equipment are available for its intended use or in respect of self-constructed assets, from the date such assets are ready for the intended use.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.1. Property, Plant and Equipment (continued)

Depreciation is calculated on a straight-line basis over the useful life of the asset as follows:

Asset class	Years
Buildings on owned lands	20 to 35
Buildings on leased lands	5 to 35 or lease period whichever is less
Machinery and equipment	4 – 20
Furniture and office equipment	6 – 7
Motor vehicles	5 – 15

If there is an indication that there has been a significant change in useful life or residual value of an item, the depreciation is revised prospectively to reflect the new estimates.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

Items such as spare parts, stand-by equipment and servicing equipment, if any, are recognized in accordance with this IFRS when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

4.2. Investment properties

Investment properties comprise property held for capital appreciation, long-term rental yields or both, and are carried at cost less accumulated depreciation and accumulated impairment losses, if any. Investment properties also include property that is being constructed or developed for future use as investment properties. In addition, land, if any held for undetermined use is classified as investment properties and is not depreciated. When the development of investment properties commences, it is classified as "Capital work in progress" until development is complete, at which time it is transferred to the respective category, and depreciated using straight-line method at rates calculated to reduce the cost of assets to their estimated residual value over their expected useful lives of 15 to 21 years. Buildings on Leased hold lands are depreciated over lower of lease period or useful lives.

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the statement of profit or loss as and when incurred.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are recognized and presented separately within the statement of profit or loss.

4.3. Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

Intangible assets with finite lives are amortized over their useful economic lives 6 to 10 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss and expenses in the expense category consistent with the function of the intangible assets.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.3. Intangible Assets (continued)

Intangible assets residual values, useful lives and impairment indicators are reviewed at each financial year end and adjusted prospectively, if considered necessary.

4.4. Inventories

Inventories are valued at the lower of cost and net realizable value, and the cost is determined on a weighted average basis. The cost of finished and semi-manufactured goods includes the cost of raw materials, labor and indirect industrial expenditures that contribute to the conversion of raw materials to a final product. Net realizable value consists of the estimated selling price during the normal course of business, net of the additional production costs to complete and any other cost required to complete the sale. The Company reviews the carrying amount of the inventories on a regular basis. Where necessary the inventory is reduced to the net realizable value or a provision for obsolete is established in the event of any change in the pattern of use or physical form of the related inventory.

Management estimates the net realizable value of inventories, taking into account the most reliable evidence at the time the estimates are used and establishes a provision for obsolete inventory. These estimates take into account changes in demand for goods and technological changes, quality and price fluctuations. Accordingly, the Company considers these factors and takes them into account to calculate the provision for obsolete, slow moving and defective inventories.

Spares are valued at lower of cost or net realizable value. Cost is determined on the weighted average cost basis. An allowance for obsolete and slow-moving items, if any, is estimated at each reporting date.

4.5. Cash and Cash Equivalents

Cash and cash equivalents include bank balances and deposits with original maturities of three months or less, if any. It also includes bank overdrafts which form an integral part of the Company's cash management and are likely to fluctuate from overdrawn to positive balances.

4.6. Impairment of Non-Financial Assets

At each reporting date, the Company assesses whether there is any indication that any asset (property, plant and equipment) may be impaired. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in the statement of profit or loss.

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The recoverable amount is sensitive to the discount rate used for the DCF (Discounted Cashflow) model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Similarly, at each reporting date, inventories are assessed for impairment by comparing the carrying amount of each item of inventory (or group of similar items) with its selling price less costs to complete and sell. If an item of inventory (or group of similar items) is impaired, its carrying amount is reduced to its selling price less costs to complete and sell, and an impairment loss is recognized immediately in the statement of profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount (selling price less costs to complete and sell, in the case of inventories), but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset (group of related assets) in prior years. A reversal of an impairment loss is recognized immediately in the statement of comprehensive income or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.7. Equity reserves

Share capital represents the nominal (par) value of shares that have been issued. Retained earnings include all current and prior period retained profits. All transactions with owners of the Company are recorded separately within equity.

4.8. Statutory Reserve

In accordance with its By-laws and the Regulations for Companies in Kingdom of Saudi Arabia, the Company is required to transfer 10% of its net profit for the year to a statutory reserve until such reserve equals 30% of its share capital. This Statutory Reserve is not available for distribution to shareholders. However, it may be used to increase capital after obtaining shareholder approval.

4.9. Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4.10. Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of fulfilling the obligations under the contract exceed the economic benefits expected to be received under it.

4.11. Contingent liabilities

All contingent liabilities arising from past events that will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are not fully controlled by the Company or all current liabilities arising from past events but are not proven for the following reasons:

1) There is no possibility that the flow of external resources inherent in economic benefits will be required to settle the obligation
2) The amount of the obligation cannot be measured reliably they should all be assessed at the date of each financial position and disclosed in the Company's financial statements within the contingent liabilities.

4.12. Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in the statement of profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The borrowings are classified as a current liability when the remaining maturity is less than 12 months.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.13. Zakat

The Company is subject to zakat in accordance with the GAZT in the Kingdom of Saudi Arabia. Zakat is provided on the accrual basis. The zakat charge is computed on the higher of the zakat base or adjusted net income. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

4.14. Employee Benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating leaves, air fare, child education allowance, furniture allowance that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled.

Employees' post-employment benefits

The liability or asset recognized in the statement of financial position in respect of defined benefit. The plan is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated 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 interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

Defined benefit costs are categorized as follows:

Service cost

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

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in the 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 balance of the defined benefit obligation. This cost is included in employee benefits expense in the statement of profit or loss.

Re-measurement gains or losses

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

4.15. Foreign Currencies

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in the statement of comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.16. Financial instruments

4.16.1. Financial assets

4.16.1.1. Classification of financial assets

On initial recognition, a financial asset is classified as measured at amortized cost, Fair value through other comprehensive income "FVOCI" or Fair value through profit and loss "FVTPL". However, the Company as of the reporting date only holds financial asset carried at amortized cost and FVTPL.

a) Financial assets at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

b) Financial assets at FVOCI

Equity instruments

On initial recognition, for an equity investment that is not held for trading. the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

c) Financial assets at FVTPL

All other financial assets are classified as measured at FVTPL (for example equity held for trading and debt securities not classified neither as AC or FVOCI).

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

4.16.1.2. De-recognition of financial assets

A financial asset or a part of a financial asset is de-recognized when:

- The right to receive cash flows from the asset have expired, or
- The Company has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement: and either:
  - a) The Company has transferred substantially all the risks and rewards of the asset, or
  - b) The Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset

4.16.1.3. Impairment of financial assets

The Company assesses on a forward-looking basis the life expected credit losses associated with its financial assets carried at amortized cost.

The Company applies the simplified approach as permitted by IFRS 9, which requires expected lifetime losses to be recognized from the initial recognition of receivables.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.16. Financial instruments (continued)
4.16.1. Financial assets (continued)
4.16.1.3. Impairment of financial assets (continued)

The Company uses a provision matrix in the calculation of the expected credit losses on receivables to estimate the lifetime expected credit losses, applying certain provision rates to respective contractual past due aging buckets. The provision matrix was developed considering the probability of default and loss given default which was derived from historical data of the Company and is adjusted to reflect the expected future outcome which includes macro-economic factors.

Other instruments are considered as low risk and a Company use a provisional matrix in calculating the expected credit losses.

A financial asset is written off only when:
(i) that is past due, and
(ii) there is no reasonable expectation of recovery

Where financial assets are written off, the Company continues to engage in enforcement activities to attempt to recover the receivables due. Where recoveries are made, after write-off, are recognized in the statement of profit or loss.

4.16.2. Financial liabilities

4.16.2.1. Initial recognition
Financial liabilities are recognized initially at fair value and in the case of borrowings, the fair value of the consideration received less directly attributable transaction costs.

4.16.2.2. Subsequent measurements
After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the amortization process.

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

4.16.3. Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.16. Financial instruments (continued)

4.16.4. Fair value hierarchy of financial instruments

The Company classifies the fair value of its financial instruments in the following hierarchy, based on the inputs used in their valuation:

Level 1
The fair value of financial instruments quoted in active markets is based on their quoted closing price at the statement of financial position date. Examples include exchange-traded commodity derivatives and other financial assets such as investments in equity and debt securities.

Level 2
The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques using observable market data. Such valuation techniques include discounted cash flows, standard valuation models based on market parameters for interest rates, yield curves or foreign exchange rates, dealer quotes for similar instruments and use of comparable arm's length transactions.

Level 3
The fair value of financial instruments that are measured on the basis of entity-specific valuations using inputs that are not based on observable market data (unobservable inputs).

4.16.5. Effective interest method

The effective interest method is a method of calculating the amortized cost of financial asset and liability and of allocating interest income and expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

4.17. Leases

a) The Company as lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.17. Leases (continued)

a) The Company as lessee (continued)

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the ‘Property, Plant and Equipment’ policy.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.17. Leases (continued)

a) The Company as lessee (continued)

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other expenses" in statement of comprehensive income.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For a contract that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

b) The Company as lessor

The Company enters into lease agreements as a lessor with respect to some of its investment properties. The Company also rents equipment to retailers necessary for the presentation and customer fitting and testing of footwear and equipment manufactured by the Company.

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Company is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

Subsequent to initial recognition, the Company regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of IFRS 9, recognizing an allowance for expected credit losses on the lease receivables.

Finance lease income is calculated with reference to the gross carrying amount of the lease receivables, except for credit-impaired financial assets for which interest income is calculated with reference to their amortized cost (i.e. after a deduction of the loss allowance).

When a contract includes both lease and non-lease components, the Company applies IFRS 15 to allocate the consideration under the contract to each component.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.18. Finance costs

Finance costs directly attributable to the acquisition, construction or production of a qualifying as-set are capitalized during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other finance costs are expensed in the period in which they are incurred and reported as 'financial charge'. Finance costs consist of interest and other costs incurred by the Company in connection with the borrowing of funds.

4.19. Revenue Recognition

Revenue represents the fair value of the consideration received or receivable for goods sold, net of returns, trade discounts and volume rebates.

Revenue is measured based on the consideration specified in a contract with a customer and is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Company's revenue generating activities are as follows:

a) Revenue from Sale of Goods

Revenue from the sale of goods is recognized in the statement of profit or loss when the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

b) Other Income

1) Rentals income is recognized on a straight-line basis over the terms of the contract.
2) Franchise income is recognized on a percentage of the revenue of the franchisee.

c) Sales Discount

The goods are often sold with retrospective volume discounts based on aggregate sales over a 12 months period. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. The related liability (included in trade and other payables) is recognized for expected volume discounts payable to customers in relation to sales made during the year.

d) Sales Rebate

The sales rebate are presented primarily as a deduction from gross sales based on entitlement that has been earned up to the statement of financial position date, for each relevant receivable arrangement.

e) Sales Return

Products are sold principally on a sale or return basis. Allowances for expected sales returns are calculated based on the forecasted return of expired products. Expected sales returns are netted off against revenue with the corresponding impact in ‘trade and other payables’ for cash sales and ‘trade receivables’ for credit sales.

No element of financing component is deemed present as the sales are made either on cash or on credit term consistent with market practice.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.20. Selling, Distribution, General and Administration Expenses

Selling, Distribution, General and Administration Expenses include direct and indirect costs not specifically part of Cost of Sales. Allocations between Cost of Sales and Selling, Distribution, General and Administration Expenses, when required, are made on a consistent basis. The Company recognizes the marketing support from vendors in the selling and distribution expenses on an accrual basis.

4.21. Government grant

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized under other income in the statement of comprehensive income for the period in which they become receivable.

4.22. Segmental Reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments operating results are reviewed regularly by the Company's Chief Executive Officer to make decisions about resources to be allocated to the segment and to assess its performance. and for which discrete financial information is available.

Segment results that are reported to the Company's Chief Executive Officer include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

4.23. Earnings per share

The Company presents basic and diluted earnings per share (if any) for the common share. Basic earnings per share are calculated from net profit or loss by dividing the profit or loss attributable to ordinary equity holders of the Company by the weighted average number of common shares outstanding during the year, adjusted by the number of ordinary shares repurchased or issued during the year. Diluted earnings per share are adjusted by the profit or loss attributable to common equity holders of the Company and the weighted average number of shares outstanding during the year with the effect of all of the common shares that are likely to be issued.

4.24. Dividends

Dividends are recorded in the financial statements in the period in which they are approved by the shareholders of the Company.

Interim dividends are recorded as liability in the period in which they are approved by the Board of Directors.

5. RELATED PARTY TRANSACTIONS AND BALANCES

Significant transactions and balances with related parties other than those disclosed elsewhere in the financial statements, are as follows:

Names of Related Parties	Nature of Relationship	Nature of transactions	2020	2019
Panda Retail Company	Affiliate	Sales to the affiliated Company	**37,943,140**	28,006,206
		Rent charged by the affiliate to the Company	**2,875,395**	3,846,614
Bazbazah International Trading Company	Affiliate	Sales to the affiliated Company	**490,310**	474,562
		Rent charged by the affiliate to the Company	**435,000**	435,000
		Rent charged by the Company to the affiliate	**247,167**	247,167
Taza Restaurant Co. Ltd.	Affiliate	Sales to the affiliated Company	**1,571,944**	2,286,632
Meslan Inv. Co.	Affiliate	Sales to the affiliated Company	**33,258**	-
Green Leaves Co.	Affiliate	Sales to the affiliated Company	**13,490**	-
Mr. Ahmed Hamad Al Saeed	Shareholder	Management fees	**1,657,079**	6,064,071
		Salaries and other benefits paid to the shareholder	**1,061,671**	1,040,429
		Rent charged by the shareholder to the Company	**630,000**	630,000
Kinan Company	Affiliate	Rent charged by the affiliate to the Company	**162,744**	231,145
Qetaf Company for Investment and Real Estate Development	Affiliate	Rent charged by the affiliate to the Company	**2,000,000**	2,000,000
Mr. Khalid Al Saeed	Board Member	Rent charged by the board member to the Company	**200,000**	200,000
AFIA International Company	Affiliate	Purchases from the affiliated Company	**2,810,639**	2,345,743
Mama Sauce Factory for Food Industries	Affiliate	Purchases from the affiliated Company	**13,562,482**	17,379,086
United Sugar Company	Affiliate	Purchases from the affiliated Company	**2,628,752**	2,146,919
Almarai Co.	Affiliate	Purchases from the affiliated Company	**3,714,245**	5,603,811
International Food Industries Co.	Affiliate	Purchases from the affiliated Company	**3,943,974**	3,745,073

5. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Management fees

In accordance with the Company's By-laws, the Board of Directors are authorized to determine the management fees to be paid to the Managing Director. Accordingly, the Board of Directors decided to provide 3% of the Company's net profit before management fee to be paid annually as management fee to the Managing Director, Mr. Ahmed Al Saeed, who is also a shareholder. Such amount is charged to the statement of profit or loss and included within general and administrative expenses.

Board remuneration

The Company's Board of Directors were paid board remuneration for the year ended 31 December 2020 amounted to SR 2.4 million (2019: SR 2.6 million). Such remunerations are approved by the shareholders in their Annual General Meeting.

Remunerations of the Company's key management personnel

The total remunerations of Company's key management personnel for the year ended 31 December 2020 amounted to SR 8.05 million (2019: SR 10.44 million). Such remunerations include basic salaries, bonuses and other benefits as per the Company's policies.

Key management personnel are those persons, including the Board of Directors members, Managing Director and top executives having authority arid responsibility for planning, directing and controlling the activities of the Company, directly or indirectly.

Balances as at

	As at 31 December	
	2020	**2019**
Due from related parties – Trade, other receivables and prepayments		
Panda Retail Company	**9,366,019**	11,087,334
Taza Restaurant Co. Ltd.	**346,049**	315,462
Meselan Investment Co,	**31,671**	-
Mr. Khalid Al Saeed	**23,356**	-
Green Leaves Co,	**13,490**	-
Bazbazah International Trading Company	**-**	133,525
	9,780,585	11,536,321

5. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Balances as at (continued)

	As at 31 December	
	2020	**2019**
Due to related parties – Trade and other payables		
Mama Sauce Factory for Food Industries	**1,313,348**	1,112,481
Mr. Ahmed Hamad Al Saeed	**2,093,577**	3,877,915
Almarai Co.	**910,310**	143,020
International Food Industries Co.	**743,023**	966,944
Qetaf Company for Investment and Real Estate Development	**419,925**	-
AFIA International Company	**309,781**	245,557
Kinan Company	**295,171**	257,245
Bazbazah International Trading Company	**290,051**	-
United Sugar Company	**171,898**	307,390
	6,547,084	6,910,552

	As at 31 December	
	2020	**2019**
Due from a related party – Net investment in finance lease		
Bazbazah International Trading Company	**250,840**	287,942
	250,840	287,942

	As at 31 December	
	2020	**2019**
Due from a related party – Other receivables		
Sam Bader Bader (Executive Director)	**800,000**	800,000
	800,000	800,000

	As at 31 December	
	2020	**2019**
Due to related parties – Lease liabilities		
Qetaf Company for Investment and Real Estate Development	**26,037,271**	26,873,470
Panda Retail Company	**4,752,162**	5,472,411
Bazbazah International Trading Company	**950,845**	1,333,796
Mr. Ahmed Hamad Al Saeed	**721,524**	1,123,583
	32,461,802	34,803,260

6. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and leasehold improvements	Machinery and equipment	Furniture and office equipment	Motor Vehicles	Capital work in progress	2020	2019
Cost								
January 1	177,260,913	717,618,497	487,896,168	122,854,557	81,636,243	117,261,894	**1,704,528,272**	1,641,491,735
Additions	-	462,157	10,498,301	3,657,283	6,297,482	33,851,408	**54,766,631**	68,500,312
Disposals	-	(3,682,011)	(5,738,998)	(742,951)	(2,004,617)	(28,360)	**(12,196,937)**	(5,463,775)
Transfer from capital work in progress	-	32,268,743	7,146,938	6,028,866	-	(45,444,547)	-	-
December 31	**177,260,913**	**746,667,386**	**499,802,409**	**131,797,755**	**85,929,108**	**105,640,395**	**1,747,097,966**	**1,704,528,272**
Accumulated depreciation								
January 1	-	268,771,908	268,427,154	67,549,969	56,281,904	-	**661,030,935**	581,636,539
Charge for the year	-	40,164,794	32,003,446	14,899,006	5,516,376	-	**92,583,622**	80,834,632
Disposal	-	(1,436,777)	(5,685,856)	(689,607)	(1,127,613)	-	**(8,939,853)**	(1,440,236)
December 31	**-**	**307,499,925**	**294,744,744**	**81,759,368**	**60,670,667**	**-**	**744,674,704**	**661,030,935**
Less: Provision for impairment	**-**	**-**	**-**	**(249,127)**	**-**	**(3,026,506)**	**(3,275,633)**	**-**
Net book value								
December 31 2020	**177,260,913**	**439,167,461**	**205,057,665**	**49,789,260**	**25,258,441**	**102,613,889**	**999,147,629**	
December 31 2019	177,260,913	448,846,589	219,469,014	55,304,588	25,354,339	117,261,894		1,043,497,337

Depreciation is distributed as followings:

	Note	2020	2019
Cost of revenues	24	87,630,968	75,968,319
Selling and distribution expenses	26	2,967,558	2,868,438
General and administrative expenses	27	1,985,096	1,997,875
		92,583,622	80,834,632

6.1. The assets amounting to SR 38 million of the meat factory are pledged against the loan from the Saudi Industrial Development Fund ("SIDF"). For details, please refer Note 17.

6.2. Capital work in progress mainly relates to the branches under construction.

7. RIGHT-OF-USE-ASSETS AND LEASE LIABILITIES

7.1. Right-of-use assets

	Land	Buildings	2020	2019
Cost				
January 1	301,817,102	358,025,844	**659,842,946**	647,340,461
Additions	-	27,343,709	**27,343,709**	12,502,485
Disposals and transfer	-	-	**-**	-
Transfer from capital work in progress	-	-	**-**	-
December 31	**301,817,102**	**385,369,553**	**687,186,655**	659,842,946
Accumulated depreciation				
January 1	26,145,123	50,833,576	**76,978,699**	-
Charge for the year	34,309,076	39,277,388	**73,586,464**	76,978,699
Disposal and transfer	-	-	**-**	-
December 31	**60,454,199**	**90,110,964**	**150,565,163**	76,978,699
Net book value				
December 31 2020	**241,362,903**	**295,258,589**	**536,621,492**	
December 31 2019	275,671,979	307,192,268		582,864,247

Depreciation is distributed as followings:

	Note	Land	Building	2020	2019
Cost of revenues	24	32,766,223	37,511,111	**70,277,334**	72,187,340
Selling and distribution expenses	26	99,779	114,227	**214,006**	214,036
General and administrative expenses	27	1,443,074	1,652,050	**3,095,124**	4,577,323
		34,309,076	**39,277,388**	**73,586,464**	76,978,699

7.2. Lease liabilities

		2020	2019
Balance at beginning of the year		**579,327,885**	661,106,843
Additions during the year	7.1	**27,343,709**	12,502,485
Charge for the year	28	**27,882,731**	29,738,378
Lease payments during the year		**(84,650,930)**	(124,019,821)
Balance at the end of the year		**549,903,395**	579,327,885

	As at 31 December	
	2020	2019
Current	**92,517,463**	82,361,166
Non-current	**457,385,932**	496,966,719
	549,903,395	579,327,885

7. RIGHT-OF-USE-ASSETS AND LEASE LIABILITIES (CONTINUED)

7.2. Lease liabilities (continued)

Set out below, are the amounts recognized in the statement of profit or loss:

	Note	2020	2019
Depreciation expense of right-of-use assets	7.1	**73,586,464**	76,978,699
Lease financial cost (included in finance cost)	28	**27,882,731**	29,738,378
Expense relating to short-term leases (included in Statement of profit or loss)		**25,855,560**	34,073,460
Expense relating to leases of low-value assets that are not short-term leases		**-**	-
Expense relating to variable lease payments not included in lease liabilities		**-**	-
Total amounts recognized in profit or loss		**127,324,755**	140,790,537

The rate applied is 4% to 7% (2019: 4% to 7%) for all the leases of the Company based on varying lease terms.

	As at 31 December 2020
Year 1	**93,310,334**
Year 2	**78,369,743**
Year 3	**74,340,665**
Year 4	**63,355,079**
Year 5 onwards	**449,928,952**
Total undiscounted lease liabilities	**759,304,773**
Less: Finance cost	**209,401,378**
	549,903,395

7.3. The lease liabilities balance includes amounts due to related parties. Please refer note 5.

7.4. The Company's leasing activities and how these are accounted for

The Company leases various buildings for restaurants. Rental contracts are typically made for fixed periods of 2 to 25 years but may have extension options as described in note 7.5 below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for financing purposes.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance costs. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of profit on the remaining balance of the liability for each period.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

7. RIGHT-OF-USE-ASSETS AND LEASE LIABILITIES (CONTINUED)

7.4. The Company's leasing activities and how these are accounted for (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

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

The lease payments are discounted using the profit rate implicit in the lease, if that rate cannot be determined then the Company's incremental financing rate is used. The Company has used the incremental financial facilities rate of 4% to 7%.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and;
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small buildings for restaurant and other small items of office furniture.

7.5. Extension and termination options

Extension and termination options are included in a number of building leases across the Company. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

7.6. Residual value guarantees

To optimize lease costs during the contract period, the Company sometimes provides residual value guarantees in relation to restaurant building leases.

8. NET INVESTMENT IN FINANCE LEASE

	2020	2019
Net book value at the beginning of the year	**12,463,006**	13,766,382
Additions during the year	**-**	-
Lease payments received	**(731,290)**	(1,852,500)
Finance income	**323,398**	549,124
	12,055,114	12,463,006
Less: Allowance for impairment	**(1,116,707)**	-
	10,938,407	12,463,006

	As at 31 December	
	2020	2019
Current portion		
Net investment in finance lease	**2,685,880**	1,534,095
Non-current portion		
Net investment in finance lease	**8,252,527**	10,928,911
	10,938,407	12,463,006

As at 31 December 2020	Gross investment (Undiscounted)	Unearned finance cost	Net investment (Discounted)
Future lease payments contractual cash flows			
Year 1	**2,966,707**	**280,827**	**2,685,880**
Year 2	**1,828,000**	**280,827**	**1,547,173**
Year 3	**1,689,500**	**280,827**	**1,408,673**
Year 4	**1,327,000**	**280,827**	**1,046,173**
Year 5 onwards	**6,658,000**	**1,290,785**	**5,367,215**
	14,469,207	**2,414,093**	**12,055,114**

As at 31 December 2019	Gross investment (Undiscounted)	Unearned finance cost	Net investment (Discounted)
Future lease payments contractual cash flows			
Year 1	1,895,000	360,905	1,534,095
Year 2	1,850,000	280,827	1,569,173
Year 3	1,830,000	280,827	1,549,173
Year 4	1,689,000	280,827	1,408,173
Year 5 onwards	8,131,000	1,728,608	6,402,392
	15,395,000	2,931,994	12,463,006

8.1. Net investment in finance lease represents the sub-leases given from the finance leases of the Company. The Company's finance lease arrangements do not include variable payments.

8. NET INVESTMENT IN FINANCE LEASE (CONTINUED)

8.2. The rate applied is 4% to 7% (2019: 4% to 7%) for all the contracts of the Company based on varying lease terms.

8.3. There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for finance lease receivables.

8.4. The net investment in finance lease balance includes amounts due from a related party. Please refer note 5.

9. INTANGIBLE ASSETS

	Computer softwares	
	2020	**2019**
Cost:		
At the beginning of the year	**25,722,476**	18,000,229
Additions	**2,153,672**	7,722,247
Write-off	**(9,920)**	-
At the end of the year	**27,866,228**	25,722,476
Accumulated amortization:		
At the beginning of the year	**10,279,888**	7,776,805
Charge for the year	**2,893,819**	2,503,083
Write-off	**(9,920)**	-
At the end of the year	**13,163,787**	10,279,888
Less: Provision for impairment	**(3,627,242)**	-
Net book value	**11,075,199**	15,442,588

Amortization is distributed as followings:

	Note	2020	2019
Cost of revenues	24	1,106,389	1,158,221
Selling and distribution expenses	26	282,683	37,235
General and administrative expenses	27	1,504,747	1,307,627
		2,893,819	2,503,083

10. INVESTMENT PROPERTIES

	Land	Buildings	Machinery and equipment	Furniture and office equipment	2020	2019
Cost						
January 1	5,597,960	47,297,127	1,143,850	351,959	**54,390,896**	53,513,185
Additions	-	310,973	-	-	**310,973**	877,711
December 31	**5,597,960**	**47,608,100**	**1,143,850**	**351,959**	**54,701,869**	54,390,896
Accumulated depreciation						
January 1	-	23,741,440	591,472	177,094	**24,510,006**	20,335,184
Charge for the year	-	3,354,097	111,330	49,710	**3,515,137**	4,174,822
December 31	**-**	**27,095,537**	**702,802**	**226,804**	**28,025,143**	24,510,006
Net book value						
December 31 2020	**5,597,960**	**20,512,563**	**441,048**	**125,155**	**26,676,726**	
December 31 2019	5,597,960	23,555,687	552,378	174,865		29,880,890

10.1. Machinery, equipments and furniture & office equipment are not significant part of investment property and therefore are not presented separately in Property, Plant and Equipment.

10.2. All investment properties have been kept for the purposes of earning rental income.

10.3. Depreciation is charged to the General and administrative expenses. Please refer Note 27.

10.4. The fair value of investment property is amounted to SR 30.59 million (2019: SR 29.15 million).

10.5. **Measurement of fair value**
The valuation of the investment properties (the "properties") is determined by AMAM Real Estate Appraisal by using the income capitalization approach which is 2nd level of fair value. The valuer is licensed by the Saudi Authority for Accredited Valuers ("TAQEEM") and have recent experience in the location and category of the property being valued.

11. INVENTORIES

	Note	As at 31 December 2020	2019
Raw materials		**58,909,140**	80,847,318
Spare parts, not held for sale		**26,818,785**	40,488,354
Operational supplies		**20,922,637**	21,345,004
Packing materials		**13,702,356**	14,808,945
		120,352,918	157,489,621
Less: provision for slow moving inventory	11.1	**(15,408,692)**	(724,110)
		104,944,226	156,765,511

11.1. Movement in provision for slow moving inventory is as follows:

	2020	2019
Opening	**724,110**	724,110
Provision made during the year	**14,684,582**	-
Closing	**15,408,692**	724,110

12. TRADE, OTHER RECEIVABLES AND PREPAYMENTS

	Note	As at 31 December 2020	2019
Trade receivables – related parties	5	**9,780,585**	11,536,321
Trade receivables – others		**46,220,011**	43,806,432
	12.1	**56,000,596**	55,342,753
Prepayments	12.2	**52,070,043**	39,807,475
Advance for investment	12.3	**-**	-
Other receivables	12.4	**45,187,113**	43,330,103
		153,257,752	138,480,331
Less: Allowance for impairment of receivables	12.5	**(15,305,335)**	(4,009,146)
		137,952,417	134,471,185

12.1. Aging of trade receivables is as follows:

	As at 31 December 2020	2019
1-30 days	**30,118,096**	20,870,322
31-90 days	**20,560,825**	13,279,521
91-365 days	**4,694,707**	19,758,819
Over 1 year	**626,968**	1,434,091
	56,000,596	55,342,753

12. TRADE, OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

12.2. Prepayments

	As at 31 December	
	2020	**2019**
Prepaid government relation expenses	**30,558,181**	29,940,863
Prepaid rent	**14,565,321**	-
Prepaid insurance	**1,757,391**	2,051,628
Others	**5,189,150**	7,814,984
	52,070,043	39,807,475

12.3. Advance for investment

		As at 31 December	
	Note	**2020**	**2019**
Advance for investment	12.3.1	**4,000,000**	4,000,000
Less: Provision for impairment	12.3.2	**(4,000,000)**	(4,000,000)
		-	-

12.3.1. This represents amount paid to Khaled Al Saeed, a related party for the partnership agreement in investment in land units dated 16 January 2005 for the purpose of utilizing it as a warehouse.

12.3.2. On the recommendation of audit committee on 24 May 2015 to implement the Board's decision in its meeting on 14 July 2014 for the provision of 2 million was estimated to meet the potential decline in the value of investment and due to the current faltering possession with increased probability of failure in recovery, the amount has been fully provided.

12.4. Other receivables

	As at 31 December	
	2020	**2019**
Advances to suppliers	**36,096,390**	37,405,811
Employee loans	**1,037,701**	1,869,879
Other receivables*	**8,053,022**	4,054,413
	45,187,113	43,330,103

*This includes advances to employees and amounts due from a related party. Please refer note 5.

12.5. Movement in allowance for impairments of trade receivables is as follows:

	2020	**2019**
Opening	**4,009,146**	2,009,146
Allowance made during the year	**11,296,189**	2,000,000
Closing	**15,305,335**	4,009,146

13. INVESTMENT CARRIED AT FVTPL

		As at 31 December	
	Note	**2020**	**2019**
Al-Rajhi Commodities Fund	13.1	**2,243,203**	26,515,939
Equity Investment - Quoted	13.2	**548,161**	-
		2,791,364	26,515,939

13.1. The Company has invested in Al-Rajhi Commodities Fund – SAR, managed by Al-Rajhi Capital. These Investments are carried at fair value through profit and loss ("FVTPL"). The movement in investments in Al-Rajhi Commodities Fund is as follows:

	2020	**2019**
Balance at beginning of the year	**26,515,939**	30,887,603
Purchase during the year	**195,000,000**	235,000,000
Redemption during the year	**(220,000,000)**	(240,000,000)
Realized gain during the year	**802,888**	576,805
Unrealized (loss) / gain during the year	**(75,624)**	51,531
Balance at the end of the year	**2,243,203**	26,515,939

13.2. The movement of investments in quoted equity shares is as follows:

	2020	**2019**
Balance at beginning of the year	**-**	-
Purchase during the year	**276,595**	-
Unrealized gain during the year	**271,566**	-
Balance at the end of the year	**548,161**	-

14. CASH AND CASH EQUIVALENTS

	As at 31 December	
	2020	**2019**
Cash in banks		
- Local currency	**109,114,917**	18,590,887
- Foreign currency	**3,560,935**	1,628,487
Cash in hand	**6,254,662**	5,723,704
	118,930,514	25,943,078

Cash in banks are maintained in current accounts and the Company doesn't earn income on these balances.

15. SHARE CAPITAL

The Company's paid-up capital consists of 64.680 million shares (31 December 2019: 64.680 million shares) of SAR 10 each.

16. STATUTORY RESERVE

The Company is required to transfer at least 10% of its net profit each year to statutory reserve until such reserve equals to 30% of its share capital. This reserve is not available for distribution to the shareholders.

17. LONG-TERM BORROWINGS

	Note	As at 31 December 2020	2019
Secured long-term borrowings at amortized cost			
SIDF loan – Non-profit bearing financing	17.1	**3,642,000**	17,630,250
Unsecured long-term borrowings at amortized cost			
Murabaha	17.2	**57,455,580**	107,673,496
		61,097,580	125,303,746

	As at 31 December 2020	2019
Current portion		
Long-term borrowings	**24,317,472**	67,810,657
Non-current portion		
Long-term borrowings	**36,780,108**	57,493,089
	61,097,580	125,303,746

17.1. Under the terms of the Saudi Industrial Development Fund (“SIDF”) loan agreement and extension agreement ("agreements"), the Company's Property, plant and equipment that relate to the meat and cake factories are pledged as collateral against financings from SIDF. These loans are also guaranteed by the majority shareholders on pro-rata basis where Savola Group and Mr. Ahmed Al Saeed have guaranteed 70% and 30% of the amount respectively.

These loans are Interest-free and are repayable in semi-annual installments over the period of five years. The Company has also paid an administrative fee over the period of the financial facility which has been incorporated in semi-annual installments. The Company has to comply with certain covenants related to the loans availed for meat factory regarding the maintenance of certain financial ratios, distribution of profits, maximum rental charges and maximum capital expenditures.

17.2. These unsecured facilities are payable in semi-annual installments over the period of five to six years. These bank facilities bear finance costs at market prevailing rates.

17.3. The facility agreements include covenants which, among other things, require the Company to maintain certain financial ratios. As of 31 December 2020, the Company was not in compliance with certain covenants of the financing agreements. However, the management has secured the necessary waiver from the respective bank and accordingly believes that the financers will not exercise their right to demand accelerated / immediate payment of the outstanding balance from the Company.

17.4. The long term loans include finance cost payable amounting to SR 2,778,196 (2019: SR 4,782,501).

18. EMPLOYEES' POST-EMPLOYMENT BENEFITS

18.1. During the year the actuarial valuations of the defined benefit obligations were carried out under the Projected Unit Credit Method using the following significant assumptions:

	As at 31 December	
	2020	**2019**
The present value of the defined benefit obligation	**93,527,855**	72,900,362

	2020	**2019**
- Number of employees	**5,403**	5,579
- Rate of change in salary (% per annum)	**2.00%**	2.00%
- Average age of employees (years)	**32.77**	32.18
- Avearge number of years of previous experience	**5.14**	4.54
- Discount rate	**2.00%**	3.00%
- Employee turnover (withdrawal) rates	**Moderate**	Moderate

Mortality rates assumed are based on the adjusted SLIC 2001 – 2005 mortality table.

18.2. Change in present value of defined benefit obligation

	2020	**2019**
Opening balance	**72,900,362**	65,527,657
Service Cost:		
Current Service Cost	**8,041,374**	8,551,055
Interest on defined benefit obligations	**2,122,566**	2,695,465
Transfer of balance	**(3,175,882)**	-
Benefits paid during the year	**(4,042,874)**	(4,209,698)
Remeasurement losses	**17,682,309**	335,883
Closing balance	**93,527,855**	72,900,362

18.3. Amount recognized in the statement of profit or loss for the year ended

	2020	**2019**
Service Cost	**8,041,374**	8,551,055
Net Interest on Net Defined Benefit Liability / (Asset)	**2,122,566**	2,695,465
	10,163,940	11,246,520

18.4. Amount recognized in the statement of other comprehensive income for the year ended

	2020	**2019**
Actuarial losses due to change in financial assumptions	**6,499,340**	-
Actuarial losses due to change in demographic assumptions	**-**	-
Actuarial losses due to change in experience assumptions	**11,182,969**	335,883
	17,682,309	335,883

18. EMPLOYEES' POST-EMPLOYMENT BENEFITS (CONTINUED)

18.5. Sensitivity Analysis of significant actuarial assumptions

	Change in assumption	Increase / (decrease) in present value of employees' post-employment benefit liability	
		Amount	%
Discount Rate	+1%	87,028,515	(6.95%)
Discount Rate	-1%	101,114,717	8.11%
Long-Term Salary	+1%	101,529,118	8.55%
Long-Term Salary	-1%	86,541,18	(7.47%)
Withdrawal rate	+10%	92,725,218	(0.86%)
Withdrawal rate	-10%	94,404,077	0.94%
Mortalility rate	+1 Year	93,513,460	(0.02%)
Mortality rate	-1 Year	93,542,340	0.02

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the liability of all schemes recognized within the statement of financial position.

18.6. Maturity profile:

	As at 31 December 2020
Year 1	17,411,563
Year 2	9,419,855
Year 3	6,357,533
Year 4	7,040,535
Year 5	6,324,098
Year 6 onwards	63,585,556
Total undiscounted defined benefit obligation	110,139,140
Less: Finance cost	(16,611,285)
	93,527,855

The weighted average duration of the defined benefit obligation is 7.53 years.

	As at 31 December 2020
Current portion	
Employees' Post-employment benefits	17,070,160
Non-current portion	
Employees' Post-employment benefits	76,457,695
	93,527,855

19. SHORT-TERM BORROWING

The Company has obtained Murabaha Finance with local bank. These unsecured facilities are repriced every three months and bear finance costs at market prevailing rates.

20. TRADE AND OTHER PAYABLES

		As at 31 December	
	Note	**2020**	**2019**
Trade payable – related parties	5	**6,547,084**	6,910,552
Trade payable – third parties		**81,183,154**	94,585,475
Accrued expenses	20.1	**66,459,775**	49,119,760
Other payables	20.2	**17,017,889**	18,042,266
		171,207,902	168,658,053

20.1. Accrued expenses

		As at 31 December	
	Note	**2020**	**2019**
Employee annual leave and ticket accrual		**22,621,819**	12,986,000
Accrued expenses		**9,860,060**	11,904,550
Accrued bonus		**7,336,028**	6,950,849
Accrued utilities		**7,329,370**	6,700,867
Accrued sales commission		**3,369,471**	1,933,122
Accrued BOD and committee remuneration	5	**3,300,000**	-
Accrued professional and consultancy		**3,181,495**	361,294
Accrued GOSI		**2,382,825**	2,566,408
Accrued government relations		**2,108,330**	2,108,330
Other accruals		**4,970,377**	3,608,340
		66,459,775	49,119,760

20.2. Other payables

	As at 31 December	
	2020	**2019**
VAT payable	**8,155,339**	4,433,817
Unearned revenue	**7,823,462**	4,000,000
Advances from customers	**709,260**	9,492,064
Other payables	**329,828**	116,385
	17,017,889	18,042,266

21. PROVISION FOR ZAKAT

21.1. Zakat movement

The movement in the provision for zakat is as follows:

	2020	**2019**
Balance at the beginning of the year	**13,667,451**	9,713,818
Provided during the year	**5,057,700**	5,057,700
Adjustment of prior year charge	**302,097**	-
	5,359,797	5,057,700
Payment during the year	**(5,359,797)**	(1,104,067)
Balance at the end of the year	**13,667,451**	13,667,451

21. PROVISION FOR ZAKAT (CONTINUED)

21.2. STATUS OF ASSESSMENTS

During the year, zakat assessments have been raised by the GAZT for the year 2014 - 2018 assessing additional zakat liability of SR 19.4 million against which the Company has filed an appeal. The Company already has provision amounting to SR 6.4 million in these financial statements in this respect.

Currently, there are no assessments rendered by GAZT for the years 2008 – 2013.

Zakat return for the year ended 31 December 2019 has been filed and is currently, under review with the GAZT. The Company has obtained a certificate from the GAZT valid till 18 Ramadan 1442H corresponding to 30 April 2021.

22. CONTINGENCIES AND COMMITMENTS

a) Contingencies
The Company is liable for the bank guarantees issued on behalf of the Company amounting to SR 8.13 million (31 December 2019: SR 7.65 million) and letters of credit issued on behalf of the Company amounting to SR 0.3 million (31 December 2019: SR 3.65 million) in the normal course of business.

b) Commitments
The capital expenditure committed by the Company but not incurred till 31 December 2020 amounting to SR 9.95 million (31 December 2019: SR 8.4 million).

23. REVENUE

	2020	2019
Gross sale:		
- Local sales – (23.1)	**1,184,767,133**	1,382,196,568
- Export sales	**1,444,385**	-
	1,186,211,518	1,382,196,568
Less:		
- Sales discount	**68,336,857**	64,610,684
- Sales rebate	**15,264,760**	9,925,786
- Sales return	**26,526,567**	19,350,001
	110,128,184	93,886,471
Net sales	**1,076,083,334**	1,288,310,097

23.1. Sales include amounts earned from related parties. Please refer note 5

24. COST OF REVENUES

	Note	2020	2019
Material consumed		**312,492,612**	365,099,714
Employee cost		**213,041,038**	251,219,671
Depreciation on property, plant and equipment	6	**87,630,968**	75,968,319
Depreciation on right-of-use assets	7.1	**70,277,334**	72,187,340
Electric & other utilities cost		**50,098,979**	58,755,358
Rent Expenses	24.1	**25,180,661**	33,393,211
Repair and maintenance		**23,601,791**	15,342,304
Provision for slow moving inventory	11.1	**14,684,582**	-
Amortization of intangible assets	9	**1,106,389**	1,158,221
Other overhead cost		**28,380,007**	22,548,971
		826,494,361	895,673,109

24.1. This includes the rent paid to the related parties for details please refer note 5.

25. OTHER INCOME, NET

	Note	2020	2019
Rent concessions	2.4	**11,465,704**	-
Rental income from investment property		**8,701,239**	6,188,184
Scrap sale		**3,532,134**	1,250,751
Government grant	3	**1,031,263**	-
Franchise income	25.1	**809,553**	1,687,194
Government refund		**-**	5,718,460
(Loss) / gain on sale of property, plant and equipment		**(1,905,285)**	1,496,618
Other		**301,486**	446,212
		23,936,094	16,787,419

25.1. Franchise revenue consists mainly of accrued revenue calculated on the basis of the percentage of sales in accordance with the terms and conditions agreed between the Company and the franchise parties in the State of Kuwait and Bangladesh.

26. SELLING AND DISTRIBUTION EXPENSE

	Note	2020	2019
Sales Commissions		**33,968,614**	30,068,542
Employee cost		**21,007,957**	20,968,706
Marketing Expense	26.1	**15,309,805**	20,764,842
Repairs and maintenance		**4,023,863**	3,498,923
Depreciation on property, plant and equipment	6	**2,967,558**	2,868,438
Amortization of intangible assets	9	**282,683**	37,235
Depreciation on right-of-use assets	7.1	**214,006**	214,036
Other expenses		**6,228,882**	7,152,175
		84,003,368	85,572,897

26.1. This includes the marketing support from the vendors.

27. GENERAL AND ADMINISTRATION EXPENSES

	Note	2020	2019
Employee cost		**48,409,880**	54,511,788
Professional and consultancy		**6,740,223**	2,687,234
Provision for impairment on intangible assets	9	**3,627,242**	-
Depreciation on investment properties	10	**3,515,137**	4,174,822
Board and committee remuneration		**3,300,000**	-
Provision for impairment on property, plant and equipment	6	**3,275,633**	-
Depreciation on right-of-use assets	7.1	**3,095,124**	4,577,323
Depreciation on property, plant and equipment	6	**1,985,096**	1,997,875
Management fee	5	**1,657,079**	6,064,071
Amortization of intangible assets	9	**1,504,747**	1,307,627
Telephone and electricity		**1,429,929**	1,469,244
Travel expenses		**1,187,403**	1,923,553
Repairs and maintenance		**219,610**	637,862
Other		**6,829,496**	4,124,900
		86,776,599	83,476,299

28. FINANCE COST

	Note	2020	2019
Finance cost - lease liabilities	7.2	**27,882,731**	29,738,378
Finance cost – Murabaha	17, 19	**5,249,645**	8,119,829
		33,132,376	37,858,207

29. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	2020	2019
Income for the year	**52,838,861**	196,087,640
Weighted average number of ordinary shares for the purpose of basic / diluted earnings	**64,680,000**	64,680,000
Earnings per share (SR)		
-Basic	**0.82**	3.03
-Diluted	**0.82**	3.03

Earnings per share for the year was calculated by dividing the net profit for the year with 64.68 million shares. There are no diluted shares which are convertible to basic shares at the year end.

30. SEGMENT INFORMATION

The Company operates principally in the following major business segments:

1. Providing catering services and operating of restaurants;
2. Manufacturing and selling of meat producers of Meat Factory; and
3. Manufacturing and selling of pastries and bakery products of Bakeries and other

These operating segments are identified based on internal reports that the entity's Chief Financial Officer (CFO) regularly reviews in allocating resources to segments and assessing their performance 'management approach'. The management approach is based on the way in which management organizes the segments within the entity for making operating decisions and in assessing performance. The management of the Company at the end of every reporting period, review the above segments for quantitative threshold as well as criteria for presenting the revenues and expenses for the segments.

30.1. Selected financial information for the year ended 31 December 2020 and 31 December 2019, summarized by the above business segments, was as follows: (in thousand Saudi Riyal)

	Restaurants and catering		**Meat factory**		**Bakeries and other**		**Total**	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Total segment revenue	**831,409**	1,092,053	**155,799**	145,275	**186,165**	172,919	**1,173,373**	1,410,247
Inter-segment revenue	**-**	-	**(80,444)**	(101,460)	**(16,846)**	(20,477)	**(97,290)**	(121,937)
Net revenue	**831,409**	1,092,053	**75,355**	43,815	**169,319**	152,442	**1,076,083**	1,288,310
Zakat	**5,360**	5,058	**-**	-	**-**	-	**5,360**	5,058
Net (loss) / income	**(30,823)**	123,085	**50,910**	41,235	**32,752**	31,768	**52,839**	196,088
Finance cost	**32,313**	36,881	**157**	193	**662**	784	**33,132**	37,858
Depreciation and amortization	**147,606**	140,787	**6,585**	6,748	**18,388**	16,956	**172,579**	164,491
Non-current assets	**1,360,562**	1,458,025	**42,718**	44,616	**178,494**	179,973	**1,581,774**	1,682,614
Total assets	**1,613,908**	1,640,714	**95,332**	123,800	**239,838**	263,330	**1,949,078**	2,027,844
Total liabilities	**914,397**	946,397	**24,324**	24,129	**50,962**	59,332	**989,683**	1,029,858

The Company's operations are only conducted in the Kingdom of Saudi Arabia.

31. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

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

When measuring the fair value, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date

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

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial assets consist of cash and bank balances, investment, restricted cash deposits and other receivables, its financial liabilities consist of trade payables, financial facilities and other liabilities.

The Company's management determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement

All financial assets and liabilities are measured at amortized cost except investment carried at FVTPL. The carrying amounts of all other financial assets and financial liabilities measured at amortized cost approximate to their fair values.

	Fair value Level			
As at 31 December 2020	**1**	**2**	**3**	**Total**
FINANCIAL ASSET				
Investment carried at FVTPL				
Al-Rajhi Commodities Fund	**-**	**2,243,203**	**-**	**2,243,203**
Equity Investment - Quoted	**548,161**	**-**	**-**	**548,161**
	548,161	**2,243,203**	**-**	**2,791,364**

	Fair value Level			
As at 31 December 2019	**1**	**2**	**3**	**Total**
FINANCIAL ASSET				
Investment carried at FVTPL				
Al-Rajhi Commodities Fund	-	26,515,939	-	26,515,939
	-	26,515,939	-	26,515,939

31. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

The above financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined:

Financial assets / financial liabilities	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship and sensitivity of unobservable inputs to fair value
Al-Rajhi Commodities Fund	Net Assets Value	N/A	N/A

32. RISK MANAGEMENT OF FINANCIALS INSTRUMENTS

The Company's activities expose it to a variety of financial risks, credit risk, liquidity risk, market price risk arid capital management risk.

32.1. Credit risk

Credit risk is the risk that one party to financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk on its bank balances and trade receivables and other receivables as follows.

	As at 31 December	
	2020	**2019**
Cash in banks	**112,675,852**	20,219,374
Trade and other receivables	**85,882,374**	94,663,710
	198,558,226	114,883,084

The carrying amount of financial assets represents the maximum credit exposure Credit risk on receivable and other receivable and bank balances is limited as:

- Cash balances are held with banks with sound credit ratings ranging from BAA2 to A2.
- The receivables are shown net of allowance for impairment of trade receivables and sales returns.

The Company manages credit risk with respect to receivables from customers by monitoring in accordance with defined policies and procedures.

The Company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables on an ongoing basis, the receivable balances are monitored with the result that the Company's exposure to bad debts is not significant. Trade receivables outstanding balance comprises of 100% in KSA at December 31, 2020.

For financial assets, the Company has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Company determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Note 4 include further details on the loss allowance for these assets respectively.

32. RISK MANAGEMENT OF FINANCIALS INSTRUMENTS (CONTINUED)

32.2. Liquidity Risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. Following are the contractual maturities at the end of the reporting period of financial liabilities. The amounts are grossed and undiscounted, and include estimated interest payments.

	As at 31 December 2020			
	Carrying amount	**Less than 1 year**	**1 year to 5 years**	**More than 5 years**
Long-term borrowings	**61,097,580**	**24,317,472**	**36,780,108**	**-**
Short-term borrowing	**100,278,955**	**100,278,955**	**-**	**-**
Trade and other payables	**171,207,902**	**171,207,902**	**-**	**-**
	332,584,437	**295,804,329**	**36,780,108**	**-**

	As at 31 December 2019			
	Carrying amount	**Less than 1 year**	**1 year to 5 years**	**More than 5 years**
Long-term borrowings	125,303,746	67,810,657	57,493,089	-
Short-term borrowing	70,000,000	70,000,000	-	-
Trade and other payables	168,658,053	168,658,053	-	-
	363,961,799	306,468,710	57,493,089	-

Liquidity risk is managed by monitoring on a regular basis that sufficient funds and banking and other credit facilities are available to meet the Company's future commitments. The Company's terms of sales require amounts to be paid either on a cash on delivery or on a term basis.

32.3. Market Risk

Market price risk is the risk that value of a financial instrument will fluctuate as a result of changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Company’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

32.4. Currency Risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company transactions are principally in Saudi Riyals and US Dollars. As the Saudi Riyals is pegged against US Dollar, the Company does not have any significant exposure to currency risk. The Company also has some transactions in EURO, GBP, AUD and AED, which were not significant.

	As at 31 December 2020				
	USD	**EURO**	**GBP**	**AUD**	**AED**
Cash at bank	**655,399**	**261,922**	**-**	**-**	**-**
Trade payables	**(2,640,427)**	**(343,399)**	**(6,037)**	**-**	**(269)**
	(1,985,028)	**(81,477)**	**(6,037)**	**-**	**(269)**

32. RISK MANAGEMENT OF FINANCIALS INSTRUMENTS (CONTINUED)

32.4. Currency Risk (continued)

	As at 31 December 2019				
	USD	**EURO**	**GBP**	**AUD**	**AED**
Cash at bank	320,816	114,424	-	12,144	-
Trade payables	(1,124,178)	(232,755)	(2,131)	-	(55,805)
	(803,362)	(118,331)	(2,131)	12,144	(55,805)

32.5. Interest rate risk

Interest rate risks is the risk associated with the effect of fluctuation in the prevailing interest rates on the Company's financial position and cash flows. The Company interest rate arise mainly from its borrowings which are on fixed rate of interest therefore the cash flow interest rate risk is considered minimal. The rates of interest on borrowings are close to the market rates, therefore management believes that fair value is not significant.

32.6. Capital Management

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

The Company's objectives when managing capital are:

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

The Company manages the capital structure in the context of economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may. for example, adjust the amount of dividends paid to shareholders and issue new shares.

The company relies heavily on long - term loans and cash sales to meet its capital expenditures.

32.7. Categories of financial assets and financial liabilities

	As at 31 December	
	2020	**2019**
Financial assets		
Total financial assets at fair value through profit & loss		
Investment carried at FVTPL	**2,791,364**	26,515,939
	2,791,364	26,515,939
Total financial assets at amortized cost		
Cash and cash equivalents	**118,930,514**	25,943,078
Trade and other receivables	**85,882,374**	94,663,710
	204,812,888	120,606,788
	207,604,252	147,122,727

32. RISK MANAGEMENT OF FINANCIALS INSTRUMENTS (CONTINUED)

32.7. Categories of financial assets and financial liabilities (continued)

	As at 31 December	
	2020	**2019**
Financial liabilities		
Total financial liabilities at amortized cost		
Long-term borrowings	**61,097,580**	125,303,746
Short-term borrowing	**100,278,955**	70,000,000
Trade and other payables	**171,207,902**	168,658,053
	332,584,437	363,961,799

33. RESTATEMENT & RECLASSIFICATION FOR PRIOR YEAR FIGURES

Statement of cashflows has been restated in accordance with the requirements of IFRS. Certain comparative information has also been reclassified to conform to the current year presentation.

34. DIVIDENDS

On 27 Sha'ban 1441H, corresponding to 20 April 2020G, the shareholders in their Annual General Meeting approved dividends of SR 1.1 per share (2019: SR 1.1 per share during the 2nd Quarter and SR 1 per share during the 3rd Quarter) which was paid on 14 Ramadan 1441H corresponding to 7 May 2020G.

35. SUBSEQUENT EVENTS

There have been no significant subsequent events since the year-ended that would require additional disclosure or adjustment in these financial statements (see Note 3).

36. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were approved and authorized for issue on 4 March 2021G (corresponding to 20 Rajab 1442H) by the Board of Directors of the Company.