SAUDI INDUSTRIAL DEVELOPMENT COMPANY (SIDC)
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
AND INDEPENDENT AUDITOR'S REPORT

Crowe

Al Azem & Al Sudairy & Al Shaikh & Partners
CPA's & Consultants - Member Crowe Global

Crowe

Al Azem, Al Sudairy, Al Shaikh & Partners
CPA's & Consultants
Member Crowe Global
C.R License No. 323/11/148
P.O. Box 10504 Riyadh 11443
Kingdom of Saudi Arabia
Telephone: +966 11 217 5000
Facsimile : +966 11 217 6000
Email: ch@crowe.sa
www.crowe.com/sa

Independent Auditor's Report

To the Shareholders of Saudi Industrial Development Company (SIDC)
(A Saudi Joint Stock Company)
Jeddah, Kingdom of Saudi Arabia

Opinion

We have audited the consolidated financial statements of **Saudi Industrial Development Company (SIDC) (A Saudi Joint Stock Company) ("The Company") and its subsidiaries ("The Group")** which comprise the consolidated statement of financial position as of December 31, 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the accompanying notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the consolidated financial statements section of our report.

We are independent of the Group 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 consolidated financial statements, and we have fulfilled our other 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.

Other Matter

We would like to draw attention to the legal case raised by the Company demanding a financial compensation from a former partner in one of the Group's subsidiaries against financial abuses and liabilities, in which an executive court ruling was issued to indemnify the Company by amount of SAR 15,193,873 approximately.

Crowe

Independent Auditor's Report - Continued
To the Shareholders of Saudi Industrial Development Company (SIDC)
(A Saudi Joint Stock Company)
Jeddah, Kingdom of Saudi Arabia

Key Audit Matters

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

Key Audit Matters	How our audit addressed key audit matters
Inventory	
As of December 31, 2020, the Group's net inventory balance was SAR 47,192,397 million (2019: SAR 52,382,507 million). Inventory are stated at the lower of cost or net realizable value and the Group made provisions where necessary for any obsolete or slow-moving inventory. The Group determines the level of obsolescence for inventory items and takes into account the nature, ages and validity of inventory, sales forecast and any other qualitative factors. At each reporting date, the management reviews valuation of inventory and the cost of inventory are written off when inventory are expected to be sold at price below its cost.	Evaluate and test the operating effectiveness of key controls related to calculating and monitoring the provision for obsolete and slow-moving inventory by the Group. Assessed the Group's policy relating to obsolete and slow-moving inventory, through preforming retrospective testing, and comparing previous estimates with the actual results. Recalculated the provision for obsolete and slow-moving inventory, according to the group's policy and aging reports. Enquired about any obsolete or slow-moving inventory that was not determined, during our attendance the inventory physical count for a selected locations. Test the net realizable value for finished goods inventory by considering actual sales post year - end and the assumption used by management to check whether inventory are valued at the lower of cost and net realizable value.

Independent Auditor's Report - Continued
To the Shareholders of Saudi Industrial Development Company (SIDC)
(A Saudi Joint Stock Company)
Jeddah, Kingdom of Saudi Arabia

Key Audit Matters – Continued

Key Audit Matters	How our audit addressed key audit matters
Goodwill	
As of December 31, 2020, the goodwill balance was SAR 62,356,409 (2019: SAR 62,356,409). The Group performs an annual impairment testing for goodwill. For the purpose of impairment testing for goodwill, the management uses the-value-in-use model to determine the recoverable amount by which the future cash flows related to each cash-generating unit (CGU) are discounted and compared to its related carrying values. The-value-in-use model requires several key assumptions inputs that includes estimating the future sales volumes, prices, operating costs, the ultimate values, growth rates and discount rates.	We performed the following procedures: ▪ Evaluate and test the operating effectiveness of key controls related to examining the impairment of goodwill, as well as evaluating the main assumptions used. ▪ Test the key assumptions used by management to calculate the-value-in-use. We also assessed the reasonableness of key management assumptions with respect to the estimated future cash flows, growth rates and discount rates and performed a sensitivity analysis of these key assumptions. ▪ Compare main assumptions with the standards used in the sector. Also we applied our understanding for future expectations for businesses from internal and external sources along with comparing the expectations with prior experiences. ▪ Verified the extent of accuracy and completeness of the information provided by the management, which were used as basis to evaluate the impairment in value. ▪ Evaluate the sufficiency of the notes prepared by the Group relating to Goodwill.

Crowe

Independent Auditor's Report - Continued
To the Shareholders of Saudi Industrial Development Company (SIDC)
(A Saudi Joint Stock Company)
Jeddah, Kingdom of Saudi Arabia

Key Audit Matters – Continued

Key Audit Matters	How our audit addressed key audit matters
Financial Assets at Fair Value through Other Comprehensive Income	
As of December 31, 2020, certain financial assets at fair value through Other Comprehensive Income balance was nil (2019: nil). The Group's management reversed the full amount of these financial assets as of December 31, 2019, by recognizing the fair value of these financial assets in the fair value reserve account.	We performed the following procedures: ▪ Evaluate and test the operating effectiveness of key controls related to examining the impairment of investment value, as well as evaluating the main assumptions used by the accredited valuer appointed by Group's management. ▪ Check the accuracy and completeness of the information provided by management used as a basis for impairment testing. ▪ Evaluate the sufficiency of the disclosures made by The Group regarding the investments in the consolidated financial statements.

Other Information

Management is responsible for the other information. Other information comprises the information included in the Group's 2020 annual report but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

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

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

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

Independent Auditor's Report - Continued
To the Shareholders of Saudi Industrial Development Company (SIDC)
(A Saudi Joint Stock Company)
Jeddah, Kingdom of Saudi Arabia

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as endorsed in KSA, the applicable requirements of the Companies' Law, the Company's By-Laws and for such internal control as management determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

Independent Auditor's Report - Continued
To the Shareholders of Saudi Industrial Development Company (SIDC)
(A Saudi Joint Stock Company)
Jeddah, Kingdom of Saudi Arabia

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

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

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

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

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

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

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

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

Crowe

Independent Auditor's Report - Continued
To the Shareholders of Saudi Industrial Development Company (SIDC)
(A Saudi Joint Stock Company)
Jeddah, Kingdom of Saudi Arabia

Auditor's Responsibilities for the Audit of the Consolidated 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 consolidated financial statements of the current year and are therefore included in our audit report as 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.

AlAzem, AlSudairy, Al Shaikh and Partners
Certified Public Accountants

Abdullah M. AlAzem
License No. 335

العظم والسديري وال الشيخ وشركاؤهم
محاسبون ومراجعون قانونيون
License No. 323/11/148
ترخيص رقم ٣٢٣/١١/١٤٨
Al Azem, Al Sudairy, Al Shaikh & Partners
Certified Public Accountant R

17 Sha'aban 1442H (March 30, 2021)
Jeddah, Kingdom of Saudi Arabia

SAUDI INDUSTRIAL DEVELOPMENT COMPANY (SIDC)
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020
(Expressed in Saudi Riyals)

	Note	December 31, 2020	December 31, 2019
ASSETS			
Non-current assets			
Property, plant and equipment	8	**89,883,954**	95,859,618
Right of use assets	9	**11,068,409**	8,666,187
Intangible assets	10	**561,361**	792,669
Goodwill	11	**62,356,409**	62,356,409
Financial assets at fair value through other comprehensive income	12	**44,024,506**	26,387,694
Advance payments on operating lease	13	**261,195**	412,369
Total non-current assets		**208,155,834**	194,474,946
Current assets			
Inventory	14	**47,192,397**	52,382,507
Prepaid expenses and other debit balances	15	**8,679,938**	7,007,078
Accounts receivable, net	17	**16,042,467**	22,595,576
Financial assets at fair value through profits or losses	18	**956,050**	16,506,127
Cash and cash equivalents	19	**16,980,510**	9,580,847
Total current assets		**89,851,362**	108,072,135
Total assets		**298,007,196**	302,547,081
EQUITY AND LIABILITIES			
EQUITY			
Share capital	1	**400,000,000**	400,000,000
Statutory reserve	20	**-**	8,099,375
Foreign currency translation reserve		**(32,279,754)**	(32,646,894)
Fair value reserve		**(133,107,018)**	(132,762,299)
Re-measurement reserve of defined benefit obligations		**995,820**	1,096,750
Accumulated losses		**(25,192,741)**	(25,854,743)
Total equity attributable to shareholders		**210,416,307**	217,932,189
Non-controlling interest		**6,592,858**	8,553,628
Total equity		**217,009,165**	226,485,817
Non-current liabilities			
Employee benefit obligations	21	**13,626,166**	13,257,567
Lease liabilities - non-current portion	9	**7,324,235**	6,064,262
Deferred tax liabilities	22	**707,143**	612,006
Total non-current liabilities		**21,657,544**	19,933,835
Current liabilities			
Provision for zakat and income tax	24	**8,983,012**	11,292,256
Other provisions	25	**3,967,760**	3,198,018
Lease liabilities - current portion	9	**4,176,850**	3,975,756
Accrued expenses and other liabilities	28	**9,951,411**	7,902,161
Shares underwriting surplus	26	**6,350,898**	6,350,898
Credit facilities	27	**4,037,368**	4,032,597
Accounts payable		**21,873,188**	19,375,743
Total current liabilities		**59,340,487**	56,127,429
Total liabilities		**80,998,031**	76,061,264
Total equity and liabilities		**298,007,196**	302,547,081

The accompanying notes from (1) to (39) form an integral part of these consolidated financial statements and should be read together with them and with independent auditor's report.

نائب رئيس مجلس الإدارة العضو المنتدب
بندر الحميضي

SAUDI INDUSTRIAL DEVELOPMENT COMPANY (SIDC)
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in Saudi Riyals)

	Note	FOR THE YEAR ENDED DECEMBER 31 2020	2019
Sales	35	**164,604,455**	191,401,877
Costs of sales	29	**(128,956,801)**	(158,213,867)
Gross profit		**35,647,654**	33,188,010
Selling and distribution expenses	30	**(13,619,519)**	(24,455,003)
General and administrative expenses	31	**(32,892,268)**	(54,276,413)
Loss from operations		**(10,864,133)**	(45,543,406)
Realized gain from financial assets at fair value through profit or loss	18	**5,698,565**	3,114,400
Unrealized gain from financial assets at fair value through profit or loss	18	**937,913**	6,053,035
Finance costs		**(1,377,595)**	(267,603)
Other income	32	**5,370,219**	3,922,140
Loss for the year before zakat and income tax		**(235,031)**	(32,721,434)
Zakat	24	**(1,368,188)**	(4,360,002)
Income tax		**(449,067)**	(629,544)
Loss for the year		**(2,052,286)**	(37,710,980)
Other Comprehensive income:			
Items that are transferable subsequently to the consolidated statement of profit or loss:			
Changes in foreign currency translation reserve		**367,140**	1,929,986
Items that are non-transferable subsequently to the statement of profit or loss:			
Changes in fair value of financial assets at fair value through other comprehensive income		**(344,719)**	(66,332,213)
Actuarial losses from re-measurement of employee benefits obligations	21	**(223,870)**	(171,000)
Total comprehensive loss for the year		**(2,253,735)**	(102,284,207)
Profit / (loss) attributable to:			
Parent Company shareholders		**(3,246,508)**	(39,203,471)
Non-controlling interests		**1,194,222**	1,492,491
		(2,052,286)	(37,710,980)
Total comprehensive profit / (loss) attributable to:			
Parent Company shareholders		**(3,325,017)**	(103,776,698)
Non-controlling interest		**1,071,282**	1,492,491
		(2,253,735)	(102,284,207)
Earnings / (Loss) per share:			
Loss from operations	33	**(0,27)**	(1.14)
Other income	33	**0,30**	0.33
Loss for the year attributable to shareholders (Basic and diluted)	33	**(0,08)**	(0.98)

The accompanying notes from (1) to (39) form an integral part of these consolidated financial statements and should be read together with them and with independent auditor's report.

نائب رئيس مجلس الإدارة والعضو المنتدب
بندر الحميضي

SAUDI INDUSTRIAL DEVELOPMENT COMPANY (SIDC)
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in Saudi Riyals)

	Note	**FOR THE YEAR ENDED DECEMBER 31** **2020**	2019
Share capital			
January 1		**400,000,000**	400,000,000
Balance	1	**400,000,000**	400,000,000
Statutory reserve			
January 1		**8,099,375**	8,099,375
Transferred to accumulated losses –absorption of accumulated losses	20	**(8,099,375)**	-
Balance		-	8,099,375
Foreign currency translation reserve			
January 1		**(32,646,894)**	(34,576,880)
Movement during the year		**367,140**	1,929,986
Balance		**(32,279,754)**	(32,646,894)
Fair value reserve			
January 1		**(132,762,299)**	(66,430,086)
Movement during the year		**(344,719)**	(66,332,213)
Balance		**(133,107,018)**	(132,762,299)
Re-measurement reserve of employee benefits obligations			
January 1		**1,096,750**	1,267,750
Movement during the year		**(100,930)**	(171,000)
Balance		**995,820**	1,096,750
(Accumulated losses) / retained earnings			
January 1		**(25,854,743)**	14,255,272
Loss for the year		**(3,246,508)**	(39,203,471)
Transferred from statutory reserve to absorb the accumulated losses	20	**8,099,375**	-
Realized gain from financial assets at fair value through other comprehensive income	12	**(4,190,865)**	-
Adjustments (Impact of the adoption of IFRS 16 "Leases")		-	(906,544)
Balance		**(25,192,741)**	(25,854,743)
Total equity attributable to shareholders		**210,416,307**	217,932,189
Non-controlling interest			
January 1		**8,553,628**	7,255,982
Net movement during the year		**1,039,230**	1,342,744
Dividends		**(3,000,000)**	-
Adjustments (impact of the adoption of IFRS 16 "Leases")		-	(45,098)
Balance		**6,592,858**	8,553,628
Total equity		**217,009,165**	226,485,817

نائب رئيس مجلس الإدارة والعضو المنتدب
بندر الحميضي

The accompanying notes from (1) to (39) form an integral part of these consolidated financial statements and should be read together with them and with independent auditor's report.

المدير المالي

SAUDI INDUSTRIAL DEVELOPMENT COMPANY (SIDC)
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in Saudi Riyals)

	Note	FOR THE YEAR ENDED DECEMBER 31 2020	2019
Cash flows from operating activities:			
Loss for the year		(2,052,286)	(37,710,980)
Adjustments:			
Gain from leases discount		(842,031)	-
Interest expenses of lease liabilities	9	345,426	516,799
Depreciation of right of use assets	9	3,793,274	3,401,007
Depreciation and amortization	8,10	10,419,808	10,964,573
Loss / (gain) from sale of property and equipment	32	38,656	(52,492)
Unrealized gain from financial assets at fair value through profit or loss	18	(937,913)	(6,053,035)
Realized gain from financial assets at fair value through profit or loss	18	(5,698,565)	(3,114,400)
Provision for zakat and income tax	24	1,817,255	4,945,127
Amortization of advance payment on operating lease	13	151,174	151,174
Impairment of inventory	14	6,942,661	20,263,510
Allowance of doubtful debts	17	867,613	4,435,392
Amortization of loan fees		-	38,888
Charged to employee benefits	21	1,712,628	2,332,536
Realized gain from financial assets at fair value through other comprehensive income	12	(4,190,865)	-
Adjustments (impact of the adoption of IFRS 16 "Leases")		-	(951,642)
Changes in operating assets and liabilities:			
Accounts receivable		5,673,172	4,215,711
Inventory		(1,752,551)	(488,652)
Prepaid expenses and other debit balances		(1,673,334)	11,238,576
Accounts payables		2,497,445	1,103,584
Deferred tax liabilities		95,137	103,846
Other provisions		769,742	(373,013)
Accrued expenses and other liabilities		2,049,250	(877,709)
Cash provided by operating activities		20,025,696	14,088,800
Zakat and income tax paid	24	(4,126,499)	(3,438,667)
Employee benefits paid	21	(1,567,899)	(2,207,631)
Net cash provided by operating activities		14,331,298	8,442,502
Cash flows from investing activities			
Additions to property and equipment	8	(4,296,148)	(9,243,010)
Additions to intangible assets		(70,797)	-
Proceed from sale of property and equipment		270,480	548,833
Net movement on investment at fair value		4,205,024	7,228,346
Net cash provided by / (used in) investing activities		108,559	(1,465,831)
Cash flows from financing activities			
Repaid of long-term loan		-	(5,000,000)
Lease liabilities paid		(4,237,824)	(2,543,975)
Dividends		(3,000,000)	-
Net cash used in financing activities		(7,237,824)	(7,543,975)
Net change in cash and cash equivalents		7,202,033	(567,304)
Cash and cash equivalents at the beginning of the year		9,580,847	9,160,027
Foreign currency translation differences		197,630	988,124
Cash and cash equivalents at the end of the year	19	16,980,510	9,580,847

The accompanying notes from (1) to (39) form an integral part of these consolidated financial statements and should be read together with them and with independent auditor's report.

نائب رئيس مجلس الإدارة العضو المنتدب

(Expressed in Saudi Riyals)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Saudi Industrial Development Company (SIDC) ("the Company") was established in Kingdom of Saudi Arabia as a Saudi joint stock Company pursuant to the decision of the Minister of Commerce No. 673, dated 20 Jumada II 1413H, (corresponding to December 14, 1992). The Company obtained its Commercial Registration No. 4030092792, which is issued in Jeddah on 17 Rajab 1413 H, (corresponding to 1 January 1993).

The Company's authorized, issued and fully paid share capital is SR 400 million which is divided into 40 million shares stated at SAR 10 each (2019: SAR 10).

The Group's activities represent establishing industrial projects in the field of petrochemicals, food products, salt, industrial rubber, ceramic products, other fields where economic studies proof its feasibility, and marketing of company's products after getting necessary license to do so. In addition to constructing and acquiring properties, buildings, warehouses, and showroom to serve on company's best interest.

The Company's ordinary shares are listed on the Saudi Stock Exchange "Tadawul" under No. 2130.

The Company has the following branches:

Description	Commercial Registration No.	Date	Location
SIDC Ceramic Plant	4700005290	9 Jumada Al-Awwal 1416 H (corresponding to 3 October 1995)	Yanbu
Saudi Industrial Development Company Branch (SIDC)	1010480324	27 Rabi' al-awwal 1440 H (corresponding to December 5, 2018)	Riyadh

The branch is engaged in the production of toiletries, wall tiles, ceramic floors and acrylic bathtubs pursuant to the decision of the Minister of Commerce No. 542, dated Dhu al-Qa'dah 5, 1411H.

The consolidated financial statements as of 31 December 2020, and for the year then ended comprise of the financial statements of the Company, its branch, and its subsidiaries (collectively referred to as "The Group", and individually referred to as "the Company"), as mentioned in note 7 to these consolidated financial statements, the Group's subsidiaries, their principal activities and the Group's share in each subsidiary were disclosed.

The spread of novel coronavirus (Covid – 19) across multiple geographical areas was confirmed in early 2020, causing disruptions to business and economic activities. As a result of taking a series of proactive and preventive measures and actions by government and management to contain the spread of coronavirus, especially the country wide lockdown and curfews, which have directly affected the group's operations. During the year 2020. Causing the closure of all group's subsidiaries showrooms during the curfew, decreasing working hours, considering of remotely running the business which is also resulted in a decrease in 2020 sales by (14%) compared to year 2019. Consequently, production capacity and inventory levels were decreased dramatically with the decrease in sales.

The management has taken certain procedures and actions to mitigate the impact of the decrease in sales such as introducing the online sales, and marketing campaigns and promotions, in addition to getting benefit from Saudi government support programs which have been contributed to reduce the operating expenses and maintaining the liquidity positions of the Group's entities.

The Group's entities will continue its operations and will keep applying same procedures in the meantime as the Group's management is currently unable to expect the timing of coronavirus impact will be mitigated.
The management has reflected the aforementioned impact on the financial statements for the year ended December 31, 2020.

Major development or related financial impact (if any) will be announced by the Group.

The Group's fiscal year begins on the first of January and ends at the end of December of each Gregorian year.

2. BASIS OF PREPARATION

Statement of compliance

This consolidated financial statements of the company and its branch and subsidiaries (comprised together "The Group") have been prepared in accordance with the International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

Basis of measurement

This consolidated financial statements of the Group have been prepared on a historical cost basis except for the items which measured at fair value, present value, net realizable value, and replacement cost in line with the accrual basis of accounting and going concern assumption of The Group.

Fair value measurement

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement depends on the following conditions:

- The principal market for asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability, or
- Using discounted cash flows in the absence of a principal market or a more advantageous market.

Assets or liabilities measured at fair value

- Separate assets or liabilities.
- A group of assets, a group of liabilities, or a group of assets and liabilities.
- A set of accounting policies and interpretations that require the fair value of financial and non-financial assets and liabilities.

The Group uses observable market inputs to the extent possible when measuring the fair value of assets and liabilities.

The Group uses the valuation methods in determining the fair value, as well as it uses the following levels that reflect the importance of inputs used in determining fair value:

- **Level 1:** quoted prices (unadjusted) in an active market for similar assets or liabilities.
- **Level 2:** valuation methods based on inputs, other than quoted prices included in Level 1, which can be observable for assets and liabilities, directly or indirectly.
- **Level 3:** Valuation techniques using inputs that have an important impact on fair value but are not based on observable inputs.

The Group recognizes transfers between fair value levels at the end of the reporting period, at the same time as the change occurs. Management believes that its estimates and assumptions are reasonable and sufficient.

3. FUNCTIONAL AND PRESENTATION CURRENCY

These consolidated financial statements are presented in Saudi Arabian Riyals (SAR), which is the Group's functional and reporting currency.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Group's consolidated financial statements in accordance with International Financial Reporting Standards indorsed in the Kingdom of Saudi Arabia requires management to make estimates and judgments that affect the application of accounting policies and stated values of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

Summary of Significant Accounting Estimates and Judgments

During assessing the impact of COVID-19 impact, the Group has considered the following:

Financial Assets

The Group has performed an assessment in accordance with its accounting policy due to the "Covid-19" pandemic to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired. These include factors such as, significant financial difficulties of issuers or debtors, default or delinquency in payments, probability that the issuer or debtor will enter bankruptcy or other financial reorganization, etc. The Group has performed an assessment to determine whether there is a significant decline in the fair value of financial assets below their cost. The Group's management believes that the "Covid-19" pandemic has had no material effects on Company's reported results for the year ended December 31, 2020. The Group's management continues to monitor the situation closely.

Credit Risk Management

The Company has strengthened its credit risk management policies to address the fast changing and evolving risks posed by the current circumstances. These include review of credit concentrations at granular economic sector, region, counterparty level and take appropriate action where required. Based on the review, the Group has identified the following sectors being impacted significantly by the Covid-19 pandemic and lower oil prices:

- Transportation
- Construction
- Entertainment

Property, plant and equipment

The Group's management estimates the useful lives of property, plant and equipment to calculate depreciation based on the expected use of the asset and the material damage to which it is exposed. The management reviews the residual value, useful lives and depreciation method on an annual basis to ensure that it reflects the benefit obtained, and if any difference is treated as changes in the accounting estimates (in the year of change and subsequent years).

With regard to the current liabilities for removal and restoration and similar liabilities (dismantling and removal of the asset), the changes in the liability are added to or deducted from the cost of the related asset in the current period so that the deducted amount out of the cost does not exceed the recorded one, if the decrease in the liability exceeds the amount of the registered asset, the increase must be recognized immediately in the consolidated statement of income. If the adjustment results in addition to the cost of the asset, The Group considers whether this is an indication that the new recorded amount of the asset may not be fully recoverable, and if this is the case, The Group tests whether there is an impairment in the value of the asset by estimating its recoverable amount and treating any impairment loss in the consolidated statement of comprehensive income.

Legal claims

The Group reviews the outstanding cases by following up the development of its legal procedures at each reporting date to assess the need for provision or disclosure in the consolidated financial statements. Factors that need to be taken into consideration to make the decision for provision are nature of the case and the stage it reached (including the period after the date of the consolidated financial statements and before final issuance), the opinion and perspective of the legal advisors and previous experience of similar cases, as well as any management decision on how to respond.

Trade receivables

A provision for impairment of trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to the original terms of the agreement. The large financial difficulties facing the client, the possibility of the client entering bankruptcy or financial restructuring, the deficit or delay in payment are all indications of objective evidence of impairment in trade receivables. For individual significant amounts, an assessment is made on an individual basis. For significant non-individual amounts, but that are past due, they are assessed collectively and the provision is recognized taking into account the length of time in accordance with previous redemption rates.

Inventory

Management estimates the provision to reduce the inventory to its net realizable value if the cost of the inventory is not recoverable or the inventory is damaged or become an obsolete in whole or in part, or if the selling price is lower than cost or any other factors that cause the net realizable value to become less than the carrying amount. Management valuation of net realizable value is based on the most reliable evidence at the time the estimates are used. These estimates take into account fluctuations in prices or costs directly attributable to events occurring after the date of the consolidated statement of financial position to the extent that they confirm that the circumstances of such events exist as at the end of the financial year.

Employee benefit liabilities

Employee benefit liabilities is determined by actuarial valuation using the projected unit of credit method at the end of each financial period. Gains or losses arising from actuarial revaluation are recognized in other comprehensive income for the period in which the revaluation occurred.

Impairment of non-financial assets

The Group's management assesses whether there is any indication of impairment of non-financial assets at each reporting date. When events or changes in circumstances (indications) indicate that the carrying amount is not recoverable, the Group assesses the impairment in value. An impairment loss is recognized (if any), which represents an increase in the carrying amount of the recoverable amount. The recoverable amount is the higher of fair value (less costs to sell), or value of the asset at use.

To assess the value in use, the expected future cash flows are discounted to determine the present value using the pre-tax and zakat discount rate that reflects an assessment of the current market position with respect to the current cash flow values, and the risks specific to that asset. Fair value less costs to sell is based on prevailing market prices. However, in the absence of prevailing market prices, prices are estimated on similar assets, its calculation is based on discounted cash flow. If there are no estimated rates for similar assets, their calculation is based on discounted cash flows.

For the purpose of assessing the impairment of assets, assets are grouped to the lowest level (cash-generating unit) so that the cash flows for each unit can be determined separately. For the purpose of impairment testing, goodwill is allocated to each of the cash-generating units or groups of which are expected to benefit from the acquisition, regardless of whether the other assets and liabilities acquired have been allocated to units or group of units. Subsidiaries are considered as cash generating units for impairment testing. Impairment losses are recognized in the consolidated statement of profit or loss.

Impairment losses recognized in respect to cash-generating units are initially allocated to reduce the carrying amount of any goodwill allocated to the units and then reduce the carrying amount of other assets in the unit (group of units) including intangible assets on a pro-rata basis, provided that the carrying amount of other assets does not fall below its fair value. When goodwill is part of a cash-generating unit (or a group of units), and when a portion of the operations included under these units is sold, goodwill relating to the operations sold is included in the carrying amount of the operations when determining the profit or loss on disposal. In this case, the goodwill sold is measured by the relative values of the operations sold and the remaining portion of the cash-generating units. On disposal of subsidiaries, the difference between the selling price and net assets plus accumulated foreign exchange reserve (if any) and goodwill outstanding balance is recognized in the consolidated statement of profit and loss.

Non-financial assets, other than goodwill, and assets that have been impaired are reviewed for possible reversal of impairment at each statement of financial position date. Where the impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the carrying amount that has been increased must not exceed the carrying amount that would have been determined, and which, if determined, any impairment loss on the asset or cash-generating unit in prior years. An impairment loss reversal is recognized as income directly in the consolidated statement of profit and loss. Impairment losses on goodwill are not reversed.

The fair value of financial instruments not traded in an active market

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

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

The fair value of assets or liabilities is measured using the assumptions that market participants will use when pricing assets or liabilities, assuming market participants act in their economic best interest.

The measurement of the fair value of non-financial assets takes into consideration the ability of market participants to generate economic benefits by using the assets at their best use or by selling them to another market participant who uses these assets at their best use.

The Group uses appropriate valuation techniques based on circumstances that have sufficient data to measure fair value, using relevant inputs that are observable to the maximum extent possible and minimizing the use of inputs that are not observable.

For assets and liabilities that are recognized in the consolidated financial statements frequently, the Group determines whether there have been transfers between fair value levels by re-evaluating the classification (based on the inputs of the lowest fair value measurement as a whole) at the end of each financial period.

For the purpose of fair value disclosure, the Group determines the classes of assets and liabilities based on the nature, characteristics and risks of assets or liabilities and the hierarchy of fair value levels.

Operating Segments

The operating segments described in note (35) are determined by way of differentiation in business activities for which the group generates revenues and incurs costs. The economic characteristics are reviewed and the operating segments are grouped based on the assessment made by the Chief Operating Decision Maker.

Consolidation of financial statements

The Group performs consolidation with the subsidiaries if the control conditions are met (see Note 5 "Basis of consolidation").

Expenses

The Group distributes common expenses according to its function and is classified according to its nature (see Note (7) "Expenses").

Recognition and measurement of provisions and contingent liabilities

Basic assumptions about the potential and magnitude of the flow of economic resources (see Note (7) "Provisions").

Zakat and taxes

The Group is subject to the regulations of the General Authority for Zakat and Income tax in the Kingdom of Saudi Arabia and the tax laws in Egypt. Zakat is recognized in accordance with the accrual principle. Zakat is calculated according to Zakat base. Any differences between the provision and final assessment are recorded when the final assessment is approved then the provision is closed.

With respect to deferred tax assets, they are recognized when future tax credits are likely to be made and temporary differences can be utilized. Deferred tax assets are reviewed at the end of each financial year are reduced when the associated tax benefits are not probable.

5. BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of Saudi Industrial Development Company (SIDC) (the "Company" or the "Parent Company"), its branch (SIDC Ceramic Factory) and its subsidiaries (comprised together "the Group") as of 31 December 2020. The control is realized when the Group is exposed to or has the right to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns.

The Company controls an investee if the Group has only:

- Power over the entity (has the rights that give it the current ability to direct the activities of the investee company),
- Exposure, or rights, to variable returns from its involvement with the entity; and
- The ability to use its power over the entity to influence the amount of the entity's returns.

In general, there is a presumption that a majority of the voting rights result in control. In support of this presumption, when the Group has less than a majority of the voting rights or similar rights in the investee, the Group takes into account all the facts and circumstances when determining whether or not it exercises control over the investee, including:

- Arrangement (or arrangements) with the other voting rights holders of the investee Company.
- Rights arising from other contractual arrangements that grant the Parent Company the ability to direct related activities.
- The Group's voting rights and any potential voting rights.

The Group re-ascertains whether or not it exercises control over the investee company if facts and circumstances indicate that a change in one or more of the three elements of control.

Consolidation of a subsidiary begins when the control of the subsidiary is transferred to the Group, and this is discontinued when the Group loses control of the subsidiary.

The assets, liabilities, revenue and expenses of the subsidiary acquired during the year are included in the consolidated financial statements starting from the date on which control is transferred to The Group and until such control ceases to be exercised.

Profit or loss and each component of other comprehensive income are attributed to the shareholders of the Parent Company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring them in line with the Group's accounting policies.

All assets, liabilities, shareholders' equity, income, expenses and inter-company cash flows related to intercompany transactions in the Group are completely eliminated on consolidation of the financial statements.

Any change in ownership of the subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control of the subsidiary, it:

- Discontinues recognizing the assets (including goodwill) and liabilities of the subsidiary,
- Discontinues recognizing the carrying amount of any non-controlling interest,
- Discontinues recognizing the cumulative transfer differences, which are recorded under the shareholders’ equity,
- Recognizes the fair value of the compensation received,
- Recognizes the fair value of any held investment,
- Recognizes any surplus or deficit in profit or loss,
- Reclassify the Parent Company's share of the items previously recognized in the consolidated statement of other comprehensive income to the consolidated statement of profit or loss, or retained earnings, as appropriate, as required if The Group directly excludes the related assets and liabilities.

6. ACCOUNTING POLICIES

a) New IFRS Standards, Interpretations and Amendments

The Group have adopted the following new standards, amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB) have been effective from 01 January 2020 and accordingly adopted by the Group:

Standard/Amendments	Description
Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Conceptual Framework	Amendments to References to Conceptual Framework in IFRS Standards
Amendments to IFRS 9, IFRS 7 and IAS 39	Interest rate benchmark reform

The adoption of the new standards and amended interpretations applicable to the Group have no significant impact on these consolidated financial statements.

Amendments to IAS 1 and IAS 8 on the definition of material

These amendments to IAS 1, ‘Presentation of financial statements’, and IAS 8, ‘Accounting policies, changes in accounting estimates and errors’, and consequential amendments to other IFRSs: i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information.

Amendments to IFRS 3 – definition of a business

This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

(Expressed in Saudi Riyals)

Amendments to References to the Conceptual Framework in IFRS Standards

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the Company.

Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform

These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally, cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the Statement of Profit or Loss. These will be considered while implementing of IFRS 17 effective from 1 January 2023.

b) Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group annual financial statements are listed below. The Group intends to adopt these standards when they become effective.

Standard/Interpretation	Description	Effective from periods beginning on or after the following date
IAS 1	Classification of Liabilities as Current or Non-current	1 January 2021
IFRS 16	Leases for COVID-19 rent related concessions	1 January 2021
IFRS 3	Reference to Conceptual Framework	1 January 2021
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2021
IAS 37	Onerous contracts: Cost of Fulfilling a contract	1 January 2021
IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39	Interest Rate Benchmark Reform – Phase 2	1 January 2021

Amendments to IAS 1, 'Presentation of financial statements' on classification of liabilities

These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

Amendments to IFRS 16 - Leases for COVID-19 rent related concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments remove the potential for confusion regarding lease incentives.

Amendments to IFRS 3, IAS 16, IAS 37

- IFRS 3, ‘Business combinations’ update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- IAS 16, ‘Property, plant and equipment’ prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- IAS 37, ‘Provisions, contingent liabilities and contingent assets’ specify which costs a company includes when assessing whether a contract will be loss-making.

7. SIGNIFICANT ACCOUNTING POLICIES

Business combination

The acquisition method is used to account for the acquired subsidiaries. The acquisition cost is measured at the fair value of the issued assets, incurred liabilities and issued equity instruments in addition to the fair value of the non-controlling interests in the acquiree. The contingent consideration is included in the acquisition cost at fair value at the date of acquisition. The excess of the acquisition cost over the fair value of the acquiree's net assets is recognized as a goodwill in the consolidated financial statements.

Business combinations, including companies or businesses under joint control, are measured and recognized at the carrying amount. The value of the assets and liabilities acquired at carrying amount is recognized when transferred to the books of the controlling company. The equity components of the acquiree are added to the same components within the Group's equity and any gains or losses arising therefrom are recognized directly in shareholders' equity.

Gradual Acquisition

When acquisition is completed through several consecutive transactions, the Group re-measures its shares that held before in the acquiree at fair value at the acquisition date, and recognizes the resulting gain or loss, if any, in the consolidated statement of profit or loss. Any amount recognized in other comprehensive income, in respect to the equity shares that held before, is recognized on the same basis that the Group may adopt if the Group had directly disposed the equity shares that held before.

Subsidiaries of the Group

The consolidated financial statements comprised the Company and its subsidiaries balances, and all material intra-Group transactions, are eliminated in consolidation. The non-controlling interest is calculated as a share of the net assets of the subsidiaries represented in equity for the period presented in the financial statements of the subsidiaries.

(Expressed in Saudi Riyals)

The following subsidiaries, which are owned directly or indirectly by more than 50% and / or the Company can exercise control over them, are consolidated in these financial statements on the basis of the financial statements of the subsidiaries:

Subsidiary	Incorporation Country	Main activity	Direct and indirect ownership
SIDC Commercial Investment Company	Kingdom of Saudi Arabia	Wholesale and retail trade in cement, gypsum, natural and industrial marble, tubes and pipes, kitchens, ceramic products, faience, ceramics, porcelain, tools, sanitation sets, carpets, rugs, mattresses, beds, sponges, pillows, bed sheets, bedspreads, sheets, quilts, blankets and all sleeping accessories	100%
SIDC Projects Investment Company	Kingdom of Saudi Arabia	General contracting for residential, commercial, government, industrial and health buildings and complexes, wholesale and retail trade in building materials, furniture, furnishings, wooden, office and household tools, accessories, bathrooms, clothes, carpets, rugs, silver, crystals, traditional jewelry and precious stones	100%
Arabian Co. For Manufacturing Sponges & Springs Mattresses Ltd. (Sleep High Egypt)	Egypt	Production of zipper and sponge mattresses.	100%
Global Marketing Company for Sleeping System Ltd. (Sleep High)	Kingdom of Saudi Arabia	Production of zipper mattresses, sponges, tire materials, seat covers and special polyester for mattress fillings	100%

Direct and Indirect Ownership in the Branch and Subsidiaries of the Company

Company	Direct Ownership	Indirect Ownership
SIDC Ceramic Plant (Branch)	100%	-
SIDC Commercial Investment Company	95%	5% owned by SIDC Projects Investment Co.
SIDC Projects Investment Company	95%	5% owned by SIDC Commercial Investment Co.
Global Marketing Company for Sleeping System Ltd. (Sleep High)	95%	5% owned by SIDC Commercial Investment Co.
Arabian Co. For Manufacturing Sponges & Springs Mattresses Ltd. (Sleep High Egypt)	-	98.5% owned by Global Marketing Company for Sleeping System Ltd. (Sleep High). 1,5% owned by SIDC Commercial Investment Co.
Emmdad Logistic Services Company	50%	-

Non-Controlling Interests

Non-controlling interest is measured at the acquisition date either at the fair value or the proportionate share of the fair value of the identifiable net assets of the acquiree. The measurement basis is selected separately for each transaction. Subsequent to the acquisition, the non-controlling interests are presented at initial recognition plus their share of the subsequent changes in equity of the acquiree, and are shown as a separate item in the statement of profit or loss, other comprehensive income, and within the equity at the consolidated statement of financial position.

Acquisitions or disposals of non-controlling interests that does not affect the parent company's control on the subsidiary are accounted for as transactions with equity holders. The difference between the fair value of the consideration for the paid or collected amounts and the change in non-controlling interests is recognized directly at the shareholders' equity.

Goodwill

Goodwill represents the excess of the acquisition cost of the Group's share at the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary at the date of acquisition. Goodwill is tested for the impairment annually.

Acquisition cost includes the fair value of the issued assets, incurred liabilities and the issued equity instruments in addition to the recognized value of the non-controlling interests at the acquiree. The contingent amount is included in the acquisition cost at fair value at the date of acquisition. If the contingent amount is classified within the financial liability, it is subsequently re-measured through profit or loss. Direct acquisition costs are recognized as an expense in the consolidated statement of profit or loss, unless they relate to debt instruments or financial securities.

Goodwill is capitalized as an intangible asset, with any impairment in the carrying amount being charged in the consolidated statement of profit or loss. Where the fair value of the acquired identifiable assets, liabilities and contingent liabilities exceed the fair value of the acquisition cost, the excess is credited in full to the consolidated statement of profit or loss at the acquisition date.

Financial Assets and Financial Liabilities

The Group applies the classification and measurement requirements of financial instruments in accordance with IFRS 9 “Financial Instruments”.

The Group recognizes its financial assets and liabilities in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument. A purchase or sale is recognized or derecognized using the accounting basis at the date of trading or settlement.

Financial Assets

Upon acquisition of a financial asset, the financial asset is classified at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Initial Measurement of Financial Asset

Financial assets are measured – except for the trade receivables- upon initial recognition based on the class in which these financial assets are classified, and accordingly, the financial asset are measured at amortized cost if the Group's objective is to hold the financial assets within a business model whose objective is to collect the contractual cash flows on specific dates, which are, only, payments out of the amount and interest on the original amount outstanding.

A financial asset is measured at fair value through other comprehensive income if the objective of the Group is to hold the financial assets in a business model whose objective is to collect the contractual cash flows, sell the financial assets, and to generate from the contractual terms of the financial asset at specific dates cash flows that are: the principal amount and interest on the original amount outstanding.

A financial asset is measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income. However, the Group can choose irrevocably upon initial recognition of certain investments in equity instruments - otherwise measured at fair value through profit or loss - to reflect subsequent changes in fair value within other comprehensive income.

Transaction costs that may be attributable to the acquisition or issue of financial assets and liabilities (other than financial assets and liabilities measured at fair value through profit or loss) are added or deducted from the fair value of financial assets or liabilities, as appropriate, at initial recognition. Transaction costs directly attributable to the acquisition of financial assets or liabilities at fair value through the consolidated statement of profit or loss are recognized directly in the consolidated other comprehensive income statement.

Subsequent Measurement of Financial Asset

After initial recognition, the Group measures subsequent financial assets either at amortized cost or at fair value through other comprehensive income or fair value through the statement of profit and loss in accordance with the initial classification of the financial asset. Financial assets classified as amortized cost are measured using the effective interest rate method, and the difference in measurement is recognized through the statement of profit or loss, as well as by de-recognition of that financial asset.

Financial assets measured at fair value are measured at fair value with the difference in valuation recognized through profit or loss – except for financial assets that the Group elects at initial recognition to be measured at fair value through the consolidated other comprehensive income, for which the valuation differences are recognized in the consolidated other comprehensive income, also the dividends, resulting from that, are recognized in the consolidated other comprehensive income.

De-Recognition of Financial Asset

A financial asset is derecognized only when:

- Contractual rights in the cash flows from the financial asset are expired;
- Contractual rights to receive cash flows from the financial asset are transferred, almost all the risks and rewards of ownership of the financial asset are transferred, retaining the contractual rights to receive cash flows from the financial asset with a contractual obligation to pay cash flows to one or more recipients, or all the risks and rewards of ownership of the financial asset are transferred;
- Conversion of contractual rights to receive cash flows from the financial asset without transfer, or retaining almost all the risks and rewards of ownership of the financial asset if it has not retained control of the financial asset, or retaining contractual rights to receive cash flows from a financial asset, with a contractual obligation to pay cash flows to one or more recipients without transfer, or retaining almost all the risks and rewards of ownership of the financial asset if it has not retained control of the financial asset.

Upon de-recognition of a financial asset as a whole, the difference between the carrying amount (measured at the date of de-recognition) and the consideration received, including any new asset acquired less any new liability incurred, is recognized in the consolidated statement of profit or loss.

Financial Liabilities

The Group classifies all financial liabilities to be subsequently measured at amortized cost, except for the following:

- Financial liabilities at fair value through profit or loss.
- Financial liabilities that arise when a financial asset is not eligible for de-recognition.
- Financial guarantee contracts.
- Loan liabilities at an interest rate lower than the market price.
- The contingent consideration that has been proved by the acquiree as part of a business combination.

De-Recognition of Financial Liabilities

The Group derecognizes a financial liability (or part of a financial liability) from its statement of financial position when, and only when, it is amortized; that is, when the obligation specified in the contract is performed, discharged or canceled.

Reclassification of Financial Assets and Liabilities

If the Group reclassifies a financial asset, it applies the reclassification effect prospectively from the reclassification date, and any gain or loss (including impairment losses) or previously recognized interest is not adjusted, and it is not allowed to reclassifies any category of financial liability from one category to another.

Impairment of Financial Assets

If there are indications of an expected credit loss for any financial asset measured at amortized cost or financial assets measured at fair value through the consolidated other comprehensive income, the credit losses are measured within the next twelve months. This is done if the credit risk on the financial instrument at the reporting date has not increased substantially since the initial recognition or if the credit risk on a financial instrument has decreased substantially since the initial recognition over the entire life of the financial asset, provision for losses on assets measured at amortized cost is recognized in the consolidated statement of profit or loss. The provision for losses measured at fair value through the consolidated other comprehensive income is recognized in other comprehensive income. It should not be less than the carrying amount of the financial asset.

Trade Accounts Receivable

These receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and are primarily created through the sale of goods and services to customers (such as trade account receivables), and also include other types of contractual assets that are initially recognized at fair value plus costs. They are subsequently recognized at amortized cost using the effective interest rate method, less any provision for impairment. If receivables mature after more than one year, the present value measure is applied.

The Group measures the impairment of trade account receivables, contract assets and amounts receivable for an amount equal to the expected lifetime loss on trade account receivables or contract assets arising from transactions within the scope of IFRS (15), which:

- Does not include a material financing component (or when the Group applies a practical method to contracts not exceeding one year) in accordance with IFRS (15); or
- Includes a significant financing component in accordance with IFRS (15), if the Group elects that it should measure the provision for impairment in an amount equal to the expected lifetime loss on credit. Such accounting policy should be applied to all such amounts due on trade account receivables or contract assets, but may be applied separately to amounts due on trade account receivables and contract assets.

The Group measures the expected credit losses of the financial instrument in a manner that shows an unbiased amount, and its likely probability is determined by assessing a range of possible results, time value of the money, reasonable and pro-active information available at no cost or undue effort at the reporting date, and current and future economic conditions.

Trade account receivables are recognized net of the provision recorded in a separate account and offset by a loss recognized in administrative expenses in the consolidated statement of profit or loss. If the receivable is not collected, its total carrying amount is derecognized against the related provision.

Trade and Other Payables

Trade and other payables are recognized initially at fair value and subsequently carried at amortized cost using the effective interest rate method. The Group derecognizes a financial liability (or part of a financial liability) from the statement of financial position when, and only when, it is amortized – that is, when the obligation specified in the contract is performed, canceled, or expired.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less. For the purpose of the statement of cash flows, due to bank are deducted from cash and cash equivalent.

Property, Plant and Equipment

Recognition and Measurement

Property, plant and equipment are initially recognized at historical cost less accumulated depreciation and accumulated impairment losses (except land where it is not depreciated). As well as the purchase price, cost includes all direct costs related to bring the assets in the condition that enable it to achieve the purpose for the management intended use, in additions to the present value can't be avoidable in the future such as dismantling and removing which to be recognized as a provision.

In respect of current obligations for disposals recoverability, and other related costs changes in liability are added to or deducted from the cost of the relevant asset in the current period so that the amount deducted from the cost of the asset does not exceed its recorded amount. If the decrease in liability exceeds the amount of the asset, it must be recognized immediately in the consolidated statement of profit or loss.

If the adjustment resulted to add the cost of the asset, the Group considers whether this indicates that the new amount of the asset may not be recoverable in its entirety, and if so, the Group tests the asset for impairment by estimating its recoverable amount and accounting for any loss of impairment in the consolidated statement of profit or loss.

Items of property, plant and equipment are derecognized upon disposal or when the asset is permanently derecognized and there is no foreseeable future benefit upon disposal. Any gain or loss arising from derecognition of the asset (calculated on the basis of the difference between the net proceeds of sale and the book value of the assets) is recognized in the consolidated statement of profit or loss in the period in which the asset is disposed of.

Financing costs for loans that are directly used to finance the construction of assets are capitalized over the period of time required to complete the asset and prepare it for its intended use when the asset is eligible to bear the cost of borrowing.

Subsequent Costs

The cost of the replacement part of an item of property, plant and equipment is included in the carrying amount of that item if it is probable that future economic benefits will flow to the Group in that part and the cost of that part can be measured reliably, and the carrying amount of the old replaced part is de-recognised.

The daily costs and expenses incurred by the Group for the maintenance and operation of property, plant and equipment are recognized in the consolidated statement of profit or loss when incurred. However, improvements that substantially increase the value of the asset or the useful life of the asset are capitalized.

Depreciation

Depreciation expense is recognized in the consolidated statement of profit or loss on a straight-line basis over the estimated useful life of each item of property, plant and equipment. Assets held on leased land (leasehold improvements) are depreciated over the lesser of the term of the lease or the useful lives of the assets.

When the useful life of property, plant and equipment items are different, they are accounted for as separate items. Depreciation is charged to all property, plant and equipment items to reduce their carrying amount by the estimated useful life as follows:

Description	**Useful Lives (Years)**
Buildings and construction	20 – 40 Year
Machineries and Equipment	5 – 10 Years
Vehicles and trucks	4 – 8 Years
Equipment and office supplies	5 Years
Leasehold improvements	Rental period

The Group reviews the useful lives and residual value of the property, plant and equipment at the end of each financial year to ensure that it reflects the benefit obtained, and in case of difference, it is treated as changes in accounting estimates (in year of change and subsequent years).

Projects Under Construction

Projects under construction are measured at cost which comprises construction costs, equipment, and related direct costs. Projects under construction which will be used by the Group are not depreciated until its ready for use where its transferred to property, plant and equipment or investment properties based on the nature of asset use.

Right-Of-Use Assets

The Group recognises Right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of Right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised Right-of-use assets are depreciated on a straight-line basis over the lesser of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease Liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses the internal cost of funds as the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Company as Lessee

All lease contracts entered into by the Company are classified as operating leases. Payments made under operating leases are charged to statement of income within operating expenses on a straight-line basis over the lease term. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor as penalty, net of anticipated rental income (if any), is recognized as expense in the period in which termination takes place.

Significant Judgement in Determining the Lease Term of Contracts with Renewal Options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Investment Properties

Investment property is a property held either to earn rental income or for capital appreciation —or both, but not for the purpose of selling it through the ordinary activities of the Group. And it is not used in the production or supply of goods or services or for administrative purposes. Investment properties are initially recognized at cost and transaction costs are included in the initial measurement and are subsequently measured using the cost model (at historical cost after deducting accumulated depreciation - except land carried at cost - and accumulated impairment losses).

Cost includes expenses directly attributable to the acquisition of investment properties. The cost of self-constructed investment properties includes the cost of materials, direct labour and any other costs directly attributable to the investment properties to become under operating condition appropriate for the expected use, as well as capitalized borrowing costs.

The cost of an investment property acquired for a non-financial asset, non-financial assets, or a group of financial and non-financial assets consists of the fair value of the received asset or the disposed asset of. If the fair value of the received asset or the relinquished asset is reliably measured, the fair value of the asset to be measured is used to measure the cost, unless the fair value of the asset received is clearer. Any gain or loss arising on disposal of an investment property (calculated as the difference between the net disposal proceeds and the carrying amount of the property) is recognized in the consolidated statement of profit or loss.

When the use of the investment property changes to be reclassified as property, plant and equipment or as inventory, the transfer is affected by the carrying amount of the investment property at the date of reclassification.

Intangible Assets

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any. Intangible assets produced internally, with the exception of capitalized development costs, are not capitalized and are recognized as an expense in the statement of consolidated profit or loss as incurred. The useful life of intangible assets is estimated to be either definite or indefinite.

Intangible assets with definite lives are amortized over the useful life and are tested for impairment when there is an indication that the intangible assets have been impaired. The period and method of amortization of intangible assets with fixed useful lives are reviewed at least at the end of each financial period. Changes in expected useful lives or the expected manner of depreciating future economic benefits included in the asset are accounted for as changes in accounting estimates. Amortization expense for intangible assets with definite lives is recognized in the consolidated statement of profit or loss within expenses that are consistent with the function of intangible assets.

Intangible assets with indefinite useful lives are not amortized but are tested for impairment annually, either individually or at the cash-generating unit level. The indefinite lives is reviewed annually to determine whether indefinite lives are still appropriate. If they are not, a change in the useful life is made from indefinite to definite on a future basis.

The gain or loss arising from derecognizing of intangible assets is measured as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognized in the consolidated statement of profit or loss when the asset is derecognized.

The amortization expense is recognized in the consolidated statement of profit or loss on a straight-line basis over the estimated useful lives of each intangible asset with a definite useful life.

An intangible asset arising from development (or at the stage of development of an enterprise) is recognized only if the Group can demonstrate the following:

- The technical feasibility of completing the intangible asset so that it becomes available for use or sale;
- Its intention to complete, use or sell the intangible asset;
- Its ability to use or sell the intangible asset;
- How the intangible asset will generate potential future economic benefits;
- Availability of appropriate technical, financial and other resources to complete the development, use or sale of the intangible asset; and
- Its ability to measure expenditure attributable to the intangible asset as it develops reliably.

Capitalized development costs are amortized over the periods that the Group expects to benefit from the sale of the developed products. The amortization expense is included in the consolidated statement of profit or loss.

Development expenditures that do not meet the above criteria and expenses incurred in the exploration phase are recognized as an expense in the consolidated statement of profit or loss.

The estimated useful lives of intangible assets are as follows:

Assets	Useful Lives (Years)
Computer systems and software	10 Years

Assets or Group of Non-Current Assets Available for Sale

Non-current assets or a Group of assets are classified as assets held-for-sale in the following cases:

- If available for immediate sale;
- The management must adhere to a plan to sell;
- If it is unlikely that significant changes will occur on the sale plan or that the sale plan will be withdrawn;
- When an active program has begun to identify the buyer;
- The asset is actively marketed for a reasonable price relative to its present fair value; and
- The sale is expected to be eligible to be recognized as a completed sale within one year from the date of classification.

Non-current assets or Group of assets classified as held-for-sale are measured in either of the following amounts, whichever is less:

- The carrying amount directly before being classified as held-for-sale in accordance with the Group's accounting policy;
- Fair value less costs to sell.

When non-current assets are classified as held-for-sale, they are not depreciated.

The results of operations disposed of during the year are included in the statement of consolidated profit or loss up to the date of disposal.

Discontinued operations are presented as a single amount in the consolidated statement of profit or loss which consists of the following:

- Profit or loss after tax and Zakat for discontinued operations;
- Profit or loss after tax and Zakat recognized in the measurement of fair value less costs to sell or when disposing of the asset(s) constituting discontinued operations.

Impairment of Non-Financial Assets

At the end of each period / fiscal year, the Group reviews the carrying amounts of tangible and intangible assets to determine whether there is any indication that such assets have been impaired. If any of these indicators exists, the recoverable amount is estimated to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs (cash-generating units).

When a reasonable and consistent basis for allocation can be determined, assets are allocated to cash-generating units or distributed to the smallest cash-generating units for which reasonable and consistent allocation bases can be identified.

The recoverable amount is the higher of fair value less disposal costs, and value in use. The value in use is estimated using the estimated present value of estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimated future cash flows have not been adjusted.

If the estimated recoverable amount of an asset (or cash-generating unit) is less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount and the impairment loss must be recognized directly in the consolidated statement of profit or loss.

If the impairment loss reverses when there are indications, the carrying amount of the asset or (cash-generating unit) is increased to its recoverable amount, provided that the carrying amount does not exceed the carrying amount that would have been determined if an impairment loss had not been realized on that asset or cash-generating unit is recognized in prior periods. A reversal of an impairment loss is recognized as a gain immediately in the statement of profit or loss.

Foreign Currency

Transactions and Balances

Transactions carried out by the Group in currencies other than the currency of the major economic environment in which the Group operates at its functional currency (Saudi Arabian Riyal - SAR) are recorded using the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities are revalued using the rates of exchange at the date of the financial statements. Foreign exchange gains and losses are recognized immediately in the statement of consolidated profit or loss. Non-monetary assets and liabilities are stated at historical cost using the prevailing rate at the date of the transaction. Non-monetary items carried at fair value are translated using the prevailing price at the date of valuation of those assets and the valuation gains and losses are recognized as a part of this fair value.

Foreign Subsidiaries and Associates

At the consolidated statement of financial position date, the assets and liabilities of subsidiaries and associates are translated into SAR, which is the currency in which the Group's financial statements are presented at the rates of exchange prevailing at the consolidated statement of financial position date (the closing rate). The income statement of these subsidiaries and associates is translated using the weighted average exchange rates during the year. The equity elements of subsidiaries and associates, other than retained earnings (losses), are converted at the exchange rate prevailing at the transaction date of each component. Foreign currency translation adjustments relating to these items are included as a separate component of equity (foreign exchange translation reserve). If the transaction is a wholly owned subsidiary, the relevant share of the foreign currency translation reserve is allocated to the non-controlling interests. On selling or disposal of investment in foreign subsidiaries and associates, even partially, exchange differences previously recognized in shareholders'' equity are included in the consolidated statement of profit or losses as part of the selling or disposal gains or losses.

Dividends received from foreign subsidiaries and associates are translated at the exchange rates prevailing at the date of the transaction and the exchange differences arising on the transfer are recognized in the consolidated statement of profit or loss.

Share Capital

Instruments issued by the Company are classified as equity (shareholders' equity) only to the extent that the definition of the asset or liability does not apply. The Company's ordinary shares are classified as equity instruments (shareholders' equity).

Retained Earnings

This item includes profit or loss on an annual basis, and dividends.

Statutory Reserve

The corporates system in Saudi Arabia and the Company's Articles of Association require that 10% of the annual net income be transferred to the statutory reserve until the statutory reserve reaches 30% of the capital.

Revenue Recognition

Recognition of Sales Revenue

Revenue is recognized when the goods are transferred to the customer in an amount that reflects the consideration that the Group expects to have the right to. The Group takes into account the terms of the contract and all relevant facts and circumstances when recognizing revenue.

The Group revenue comprises selling goods manufactured by the Group in addition to retail sales (purchased ready-made products). Revenue from sale of goods is recognized when the Group transfers significant risks and rewards of ownership to the buyer, and when it is probable that the Group will collect the agreed amount of the consideration in advance. The availability of these conditions is verified when the goods are delivered to the buyer. When the buyer has the right to return the goods, the revenue is deferred until the expiry of the allowed return period. Sales are recorded after deduction of rebates, trade discount and quantity discount.

A contract with a customer is accounted for when all of the following criteria, are met:

- The contracting parties have agreed on the contract (in writing, orally or in accordance with other customary business practices), and are bound by the performance of their obligations,
- The rights of each party may be determined in respect of the goods or services to be transferred,
- Payment terms can be specified for the goods or services to be transferred,
- The contract has a commercial interest (that is, the change in risk, timing, or amount of future cash flows of the entity as a result of the contract).
- The possibility of obtaining the compensation for which the Group will have a right in return for goods or services that it has transferred to the customer. In assessing the probability of collection of the amount of the award, the customer's ability and willingness to pay is taken into account when that amount becomes due. The following is also taken into account: compensation may be lower than the price shown in the contract if the compensation is variable.

Revenue is recognized when a performance obligation is met by transferring a good or service to the customer and the asset is deemed to have been transferred when the customer obtains control over that asset. When the contract is established, it is determined whether the performance obligation is met over a period of time or at a specific point in time.

Other Income

Rental income is recognized on an accrual basis, based on the period specified in the lease contract.

- Interest income is recognized when due, using the effective interest rate method.
- Dividend income is recognized when approved by the general assembly of the investee companies in the consolidated statement of profit or loss.
- Other income is recognized in accordance with the accrual basis.

Expenses

Selling and distribution expenses consist mainly of costs incurred for the distribution and sale of the Group's products. Other expenses, excluding the cost of sales and financing costs, are classified as General and administrative expenses.

General and administrative expenses include direct and indirect expenses that are not directly related to the cost of sales. Expenses are distributed, if necessary, between general and administrative expenses and the cost of sales on a consistent basis.

Expenses are classified by function where additional information is disclosed about the nature of expenses including depreciation expense and staff costs.

Financing Income and Financing Costs

Finance income consists of interest income on fixed deposits and trade account receivables. Finance income is recognized in the consolidated statement of profit or loss when due using the effective interest rate method. Financing expenses consist of interest expense on bank borrowings. All borrowing costs are recognized in the consolidated statement of profit or loss using the effective interest rate method.

However, borrowing costs directly attributable to the acquisition or creation of qualifying assets are capitalized as part of the cost of those assets. An eligible asset is an asset that necessarily takes a substantial period of time to become ready for its intended use or sale. Capitalization of borrowing costs ceases upon the actual completion of all activities necessary to prepare the assets for their intended use or sale. Foreign exchange gains and losses on a net basis are reported either as financing income or financing costs, depending on whether the foreign currency changes are in net profit or loss.

Inventory and Spare Parts

Inventory

Raw materials, spare parts, work-in-progress and finished goods are shown at the lower of cost or net realizable value. Cost comprises direct materials, direct labor and an appropriate share of fixed and variable indirect overheads cost based on the basis of the normal operating capacity. Costs is determined using a weighted average. The costs of the inventory items purchased are determined after deducting the discounts. The net realizable value is the expected selling price in the ordinary course of business less the estimated costs to complete the process and the expected selling costs.

Spare Parts

The cost of spare parts shall be charged to property, plant and equipment when it meets its definition and conditions, otherwise the spare parts shall be classified as inventory.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as result of past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects the current market assessments of the time value of money and the risks specific to that liability. When a portion or full amount of the consideration required to settle a provision is expected to be recovered from another party, a receivable is recognized in the asset if the receipt is reliable can be measured reliably.

Employee Benefit Obligation - End of Service Provision

End of Service Indemnity

The defined benefit plan is a compensation plan paid to employees after their services are completed. In accordance with the Saudi Labour Law, the Group makes payments to employees upon completion of their services, which are usually based on years of service, salary and termination.

End of service indemnity is determined by actuarial valuation using the expected unit of credit method at the end of each financial period. The gain or loss arising from actuarial revaluation is recognized in other comprehensive income for the period in which the revaluation occurred. Re-measurement recognized in other comprehensive income is immediately reflected in retained earnings and is not included in the statement of profit or loss. The cost of the previous service (past cost) is presented in profit or loss during the plan adjustment period. Net interest is calculated by applying the discount rate at the beginning of the period to the specified employee benefit asset or liability.

Specific benefit costs are classified as follows:

- Cost of service (including current service costs, past service cost, as well as gains and losses resulting from the scaling up and reimbursement of staff benefits);
- Net interest cost and income; and
- Re-measurement.

The current cost of service of the defined benefit plan is recognized in the consolidated statement of profit or loss as employee benefit expense, unless it is included in the cost of the asset. Reflecting the increase in the liability of the specific benefits resulting from the employee's service in the current year and the cases of change, reduction and settlement of benefits. Prior service costs are recognized immediately in the consolidated statement of profit or loss.

Actuarial gains and losses arising from adjustments and changes in actuarial assumptions are charged in equity at the consolidated other comprehensive income in the period in which they arise.

Short-Term Employee Benefits

Liabilities are recognized and measured for benefits accruing to employees in respect of wages, salaries, annual leave and sick leave in the period in which they are rendered in the undiscounted amounts of the benefits expected to be paid for this service.

Retirement Benefit Costs

The Group contributes to the retirement benefits of employees in accordance with the regulations of the General Organization for Social Insurance and is calculated as a percentage of the employees' salaries. Payments are treated to government-managed pension benefit plans as payments to specific contribution plans as the Group's liabilities against these plans are equivalent to those that arise in a defined contribution retirement plan. Payments to retirement benefit plans are charged as an expense when due.

Long Term Loans

Loans are recorded at net interest received and interest is charged to loans using the effective interest rate method. Interest is charged to long-term loans during the year in which they are accrued. Interest on long-term loans to finance projects under construction is capitalized as part of the costs of these projects.

Borrowing costs

Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalized on the cost of borrowing as part of the cost of that asset. Qualifying assets are assets that take a substantial period of time to get ready to be used or sold. Capitalization of borrowing costs is discontinued when the associated asset is ready for use or sale. Other borrowing costs are recognized as an expense in the consolidated statement of profit or loss in the period in which they are incurred.

Segment information

An operating segment is a Group of assets and processes that jointly engage in the rendering of products or services subject to risks and rewards that differ from those of other business segments and which are measured in accordance with the reports used by the executive management.

A geographical segment is associated with the provision of products or services in a specific economic environment that is subject to risks and rewards that differ from those of segments of business in an economic environment.

The model for segment reports is based on operating segments. Operating segments are defined based on Group management and internal reporting structure.

Offsetting

A financial asset and a financial liability are offset and the net amount is shown in the consolidated statement of financial position only when there is a legally enforceable right to settle the amounts recognized and when there is an intention to settle the assets with the net liabilities for the sale of the assets and the payment of the liability at the same time.

Zakat and taxes

Zakat

The Group is subject to the regulations of the General Authority for Zakat and Income in the Kingdom of Saudi Arabia and the tax laws of Egypt. Foreign subsidiaries are subject to income tax regulations applicable in the related countries. Zakat is recognized on the Group and its share in the income tax of its foreign subsidiaries is charged to the consolidated statement of profit or loss for the current period. Foreign income tax relating to foreign subsidiaries is charged to the non-controlling interests in the accompanying consolidated financial statements. Additional Zakat and foreign income tax liabilities, if any, relating to assessment over previous years are accounted for in the period in which the final assessment is made.

Zakat is recognized in accordance with the accrual basis. Any differences between the provision and final assessment are recorded when the final assessment is approved and the provision is closed. Zakat is calculated on the basis of Zakat base and the adjusted profit.

Deferred taxes

The liability method is used when the provision for deferred taxes is based on all temporary differences between the tax bases and the carrying amount of the assets and liabilities at the date of the consolidated statement of financial position.

Income tax expense includes current taxes and deferred taxes. Income tax expense is recognized in the consolidated statement of profit or loss, unless it relates to business combinations. The tax relates to other comprehensive income items are recognized directly in the consolidated statements of profit or loss.

The current tax represents the expected tax payable on the taxable profit for the year using the tax rate prevailing at the date of the consolidated financial statements, in addition to any adjustments in the tax due in respect of prior years.

Deferred taxes are recognized in respect of temporary differences between the carrying amount of assets and liabilities in the consolidated financial statements and the amounts determined for tax purposes.

Deferred taxes are calculated on the basis of tax rates expected to be applied to temporary differences when they are reversed based on the laws prevailing at the consolidated statement of financial position date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to do so, which relates to income tax, which is collected by the same tax authorities on the same taxable company or various taxable companies and may settle current liabilities and net tax assets. The tax liability will be realized at the same time.

Deferred tax assets are recognized when tax gains are probable in the future and temporary differences can be utilized. The carrying amounts of deferred tax assets are reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the utilization of all or part of deferred tax assets. Deferred tax assets are reviewed at the end of each financial year and are reduced when the associated tax benefits are not probable.

Earnings per share

Earnings per share is calculated by dividing the profit for the year by the weighted average number of stocks outstanding shares during the year.

Dividend distribution

Shareholders' dividends are recognized as liabilities in the period in which such dividends are approved by the Shareholders' general assembly.

(Expressed in Saudi Riyals)

8. PROPERTY, PLANT AND EQUIPMENT

	Lands	Buildings and construction*	Machinery and equipment*	Vehicles and trucks	Fixtures and office equipment	Leasehold Improvement	Projects under construction**	Total
Cost:								
Balance at 1 January 2020	**17,696,738**	**77,777,666**	**197,073,559**	**39,133,706**	**28,828,612**	**3,282,290**	**7,714,431**	**371,507,002**
Additions	**-**	**187,838**	**208,977**	**1,560,000**	**373,783**	**4,000**	**1,961,550**	**4,296,148**
Disposals	**-**	**(874,244)**	**(23,095)**	**(805,500)**	**(671,539)**	**-**	**-**	**(2,374,378)**
Transferred	**-**	**-**	**-**	**-**	**83,332**	**171,655**	**(254,987)**	**-**
Foreign currency translation differences	**23,556**	**64,761**	**134,643**	**8,420**	**32,376**	**-**	**-**	**263,756**
Balance at 31 December 2020	**17,720,294**	**77,156,021**	**197,394,084**	**39,896,626**	**28,646,564**	**3,457,945**	**9,420,994**	**373,692,528**
Accumulated depreciation:								
Balance at 1 January 2020	**-**	**62,958,266**	**162,893,086**	**23,426,891**	**24,149,774**	**2,219,367**	**-**	**275,647,384**
Depreciation charge for the year	**-**	**2,148,261**	**4,233,432**	**2,350,052**	**1,060,472**	**325,486**	**-**	**10,117,703**
Disposals	**-**	**(596,459)**	**(22,632)**	**(970,880)**	**(475,271)**	**-**	**-**	**(2,065,242)**
Foreign currency translation differences	**-**	**19,526**	**65,400**	**4,663**	**19,140**	**-**	**-**	**108,729**
Balance at 31 December 2020	**-**	**64,529,594**	**167,169,286**	**24,810,726**	**24,754,115**	**2,544,853**	**-**	**283,808,574**
Net book value								
At 31 December 2020	**17,720,294**	**12,626,427**	**30,224,798**	**15,085,900**	**3,892,449**	**913,092**	**9,420,994**	**89,883,954**
At 31 December 2019	17,696,738	14,819,400	34,180,473	15,706,815	4,678,838	1,062,923	7,714,431	95,859,618

(Expressed in Saudi Riyals)

	Lands	Buildings and construction*	Machinery and equipment*	Vehicles and trucks	Fixtures and office equipment	Leasehold Improvement	Projects under construction**	Total
Cost:								
Balance at 1 January 2019	17,575,065	77,440,481	194,394,926	38,923,164	28,723,225	3,282,290	3,879,032	364,218,183
Additions	-	3,576	2,151,939	2,774,792	424,267	-	3,888,436	9,243,010
Disposals	-	-	(174,721)	(2,595,542)	(530,031)	-	-	(3,300,294)
Transferred	-	-	-	-	53,037	-	(53,037)	-
Foreign currency translation differences	121,673	333,609	701,415	31,292	158,114	-	-	1,346,103
Balance at 31 December 2019	17,696,738	77,777,666	197,073,559	39,133,706	28,828,612	3,282,290	7,714,431	371,507,002
Accumulated depreciation:								
Balance at 1 January 2019	-	60,720,697	158,368,280	22,861,528	23,483,434	1,826,643	-	267,260,582
Depreciation charge for the year	-	2,143,435	4,377,682	2,654,613	1,108,651	392,724	-	10,677,105
Disposals	-	-	(165,280)	(2,108,759)	(529,914)	-	-	(2,803,953)
Foreign currency translation differences	-	94,134	312,404	19,509	87,603	-	-	513,650
Balance at 31 December 2019	-	62,958,266	162,893,086	23,426,891	24,149,774	2,219,367	-	275,647,384
Net book value								
At 31 December 2019	17,696,738	14,819,400	34,180,473	15,706,815	4,678,838	1,062,923	7,714,431	95,859,618
At 31 December 2018	17,575,065	16,719,784	36,026,646	16,061,636	5,239,791	1,455,647	3,879,032	96,957,601

* The Group's buildings are constructed on leased land from the Saudi Authority for Industrial Cities and Technology Zones (MODON) in Jeddah and from the Royal Commission in Jubail and Yanbu with a nominal annual rent for varying periods, subject to renewal with the same terms and other conditions as agreed upon with the concerned parties.

** Projects under construction comprise machines and equipment purchased for a new production line at SIDC Ceramic Plant (branch) and constructing of building at Sleep High Company (Subsidiary).

(Expressed in Saudi Riyals)

9. LEASES

(9-1) Right of use assets

The movement in right of use assets as at 31 December is as follow:

	Land	Buildings and Showrooms	Total
Balance at 1 January 2020	**936,386**	**7,729,801**	**8,666,187**
Additions during the year	**3,309,467**	**3,667,653**	**6,977,120**
Disposals during the year	**-**	**(781,624)**	**(781,624)**
Depreciation during the year	**(559,879)**	**(3,233,395)**	**(3,793,274)**
Balance at 31 December 2020	**3,685,974**	**7,382,435**	**11,068,409**

	Land	Buildings and Showrooms	Total
Balance at 1 January 2019	1,224,028	7,278,282	8,502,310
Additions during the year	-	3,564,884	3,564,884
Depreciation during the year	(287,642)	(3,113,365)	(3,401,007)
Balance at 31 December 2019	936,386	7,729,801	8,666,187

Depreciation of right of use assets for the year ended December 31, 2020 was allocated as follows:

	2020	2019
Selling and distribution expenses	**2,001,715**	2,090,863
Cost of sales	**1,329,725**	876,262
General and administrative expenses	**461,834**	433,882
	3,793,274	3,401,007

(9-2) Lease liabilities

The weighted average incremental borrowing rate applied to the lease liability was 4.4%. The lease liabilities were allocated as at December 31, 2020, as follows:

	2020	2019
Within one year	**4,176,850**	3,975,756
Between one to five years	**7,324,235**	6,064,262
Total lease liabilities	**11,501,085**	10,040,018

Interest expense on lease liabilities was SAR 345,426 (2019: SAR 516,799).

(Expressed in Saudi Riyals)

10. INTANGIBLE ASSETS

Intangible assets consist of computer programs and software. The movement of intangible assets during the year, was as follows:

	Computer programs & software	Total
Balance at 1 January 2020	**792,669**	**792,669**
Additions during the year	**70,797**	**70,797**
Amortization during the year	**(302,105)**	**(302,105)**
Balance at 31 December 2020	**561,361**	**561,361**
Balance at 1 January 2019	1,080,137	1,080,137
Additions during the year	-	-
Amortization during the year	(287,468)	(287,468)
Balance at 31 December 2019	792,669	792,669

11. GOODWILL

The goodwill balance of SAR 62,356,409 represents the excess in the investment cost at Global Marketing Company for Sleeping System Ltd. (a subsidiary) over the fair value of its net assets at the time of business combination.

The goodwill arising from a business combination is tested annually to verify whether it is impaired. The impairment test is based on the "value-in-use" calculation. These calculations are based on cash flow projections according to the estimated operating results of the cash generating units.

As at December 31, 2020, the Group's management reviewed the recoverable amount of goodwill. The recoverable amount was calculated on the basis of the value-in-use of the cash generating unit as determined by the Group's management and consists of the net operating assets of the subsidiary. In determining the value-in-use of the cash generating unit, the cash flows that were determined using the approved financial budgets were discounted by the management of the subsidiary for a period of five years at a discount rate of 9.32%. The calculation of value-in-use is generally affected by changes in the following key assumptions:

- The discount rate used in the cash flow estimates.
- Prices and sales quantities.

Based on the above study, no impairment was identified in the carrying amount of the goodwill recognized above.

Management believes that any reasonable change in the key assumptions will not result in impairment in value in use over the carrying amount of the respective cash-generating unit.

(Expressed in Saudi Riyals)

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

This item comprises the following:

	2020	2019
a. Arabian Industrial Fibers Company (Ibn Rushd)		
Cost	**132,900,000**	132,900,000
Provision for impairment in value	**(132,900,000)**	(132,900,000)
	-	-
b. LSC Logistics & Warehousing Company		
Cost	**5,250,000**	5,250,000
c. Investment in an investment portfolio	**38,774,506**	21,137,694
	44,024,506	26,387,694

a. As at December 31, 2020, the financial assets at fair value through other comprehensive income (Arabian Industrial Fibers Company (Limited Liability Company)-Ibn Rushd) amounting to nil (2019: SAR nil). The Group's investment has been recognized at fair value.

The Group's management has fully reversed the investment amount as at December 31, 2019, by recognizing the fair value of these financial assets within the fair value reserve.

b. As at December 31, 2020, the Group's management has tested the fair value of the investment in Logistics & Warehousing Company (a closed joint stock company), using multiple approach methodology and comparing them with their related carrying amount. Based on several key assumptions that include estimating the future sales volumes, prices, operating costs, terminal values, and growth and discount rates.

The non-controlling was discounted for a period of five years at a discount rate of 15%.

The above study, for the current year, resulted in an impairment in the carrying amount of the above recognized investment as at December 31, 2020, amounted to SAR 1,84 million. The management believes that the impairment in value is considered to be temporary and not significant

c. Financial assets at fair value through other comprehensive income comprise equity shares at the value of a portfolio devoted to investment in shares of banks and other joint stock companies quoted in the Saudi stock market that are not held for sale and which the Group has made an irrevocable choice upon initial recognition of changes in fair value through other comprehensive income rather than profit or loss, as these are strategic investments that the Group considers to be more important. The Group maintains this portfolio with one of the licensed local brokerage firms in the Kingdom of Saudi Arabia. These investments were carried at fair value as of December 31, 2020, according to the closing prices at the end of trading on the date of the financial position.

The following is the movement in investments during the year:

	2020	2019
At 1 January	**21,137,694**	-
Change in fair value	**(344,719)**	137,701
Net additions during the year	**17,981,531**	20,999,993
	38,774,506	21,137,694

During the year 2020, the net realized losses are amounted to 4,190,865 SAR (2019: Nil).

(Expressed in Saudi Riyals)

13. ADVANCE PAYMENTS ON OPERATING LEASE

Advance payments on operating lease represents an amount paid for the previous lessee against a waiver on lease contract of land No. (E 2:5) at Phase 1 which leased from The Saudi Authority for Industrial Cities and Technology Zones ("MODON") by the Global Marketing Company for Sleeping System Ltd. (Sleep High) – (a subsidiary company). Accordingly, the subsidiary entered into an operating lease agreement for the above mentioned land for a period of 17 years ending on Safar 25, 1444H (December 22, 2022).

The movement of the advance payments on an operating lease is as follows:

	2020	2019
Balance at the beginning of the year	**412,369**	563,543
Amortization charge for the year	**(151,174)**	(151,174)
Balance at the end of the year	**261,195**	412,369

14. INVENTORY

	2020	2019
Raw materials	**24,870,789**	27,982,523
Finished goods	**16,316,064**	19,180,700
Spare parts	**3,319,116**	3,200,508
Provision for slow-moving and obsolete items *	**-**	-
	44,505,969	50,363,731
Goods in transit	**10,740**	-
Work in process	**2,675,688**	2,018,776
	47,192,397	52,382,507

* Provision for slow-moving and obsolete inventory movement was as follows:

	2020	2019
At 1 January	**-**	-
Provision for the year	**4,585,510**	-
Written-off during the year	**(4,585,510)**	-
	-	-

During the year ended December 31, 2020, the executive committee at a subsidiary, Global Marketing Company for Sleeping System Ltd. (Sleep High), and the branch, SIDC Ceramic Plant, decided to write-off a slow-moving and obsolete inventory, and damaged goods (retails products, warehouse finished-goods, raw materials) in addition to the decline in inventory value amounted to SAR 6,942,661 (2019: SAR 20,363,510).

(Expressed in Saudi Riyals)

15. PREPAID EXPENSES AND OTHER DEBIT BALANCES

	2020	2019
Prepaid expenses	**996,487**	1,190,968
Bank Guarantees	**450,000**	450,000
Employee receivables	**532,910**	335,027
Refundable deposits	**315,829**	524,606
Value added tax	**191,083**	447,074
Other	**497,577**	821,872
	2,983,886	3,769,547
Advances to suppliers	**5,720,582**	3,261,587
Provision for advances to suppliers	**(24,530)**	(24,056)
	5,696,052	3,237,531
	8,679,938	7,007,078

* Provision for advances to suppliers' movement is as follows:

	2020	2019
At 1 January	**24,056**	21,611
Foreign currency translation	**474**	2,445
	24,530	24,056

16. RELATED PARTIES TRANSACTIONS

The top management fees, salaries and expenses during the year amounted to SAR 2,073,401 (2019: SAR 1,136,673).

17. ACCOUNTS RECEIVABLES

	2020	2019
Trade receivables	**16,302,998**	23,318,749
Allowance for doubtful debts	**(260,531)**	(723,173)
	16,042,467	22,595,576

Allowance for doubtful debts Movement is as follows:

	2020	2019
January 1	**723,173**	19,463
Provision during the year	**867,613**	4,435,392
Written-off during the year	**(1,342,579)**	(3,762,871)
Foreign currency translation	**12,324**	31,189
	260,531	723,173

(Expressed in Saudi Riyals)

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The investment represent the value of portfolio devoted to investment in the shares of banks and other joint stock companies quoted in the Saudi stock market for the purpose of trading. The Group maintains this portfolio with one of the licensed local brokerage firms in the Kingdom of Saudi Arabia. Investments in securities purchased for trading are recognized at fair value as at December 31, 2020, according to closing prices at the end of trading in the financial position date. The following is the movement in investments during the year:

	2020	2019
At 1 January	**16,506,127**	35,567,031
Unrealized gains	**937,913**	6,053,035
Realized gains	**5,698,565**	3,114,400
Net disposals during the year	**(22,186,555)**	(28,228,339)
	956,050	16,506,127

19. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprises cash at banks and other highly liquid investments with original maturities of three months or less.

	2020	2019
Cash at banks	**16,355,541**	8,373,464
Cash in hand	**429,561**	126,137
Cash at investment portfolio account	**195,408**	1,081,246
	16,980,510	9,580,847

20. STATUTORY RESERVE

The Companies law in the Kingdom of Saudi Arabia and the Company's Bylaws require that 10% of the annual net income be transferred to the statutory reserve and that such transfer continues until the statutory reserve reaches 30% of the capital.

On June 14, 2020, the General Assembly approved the decision of the Board of Directors to absorb part of the accumulated losses amounting to SAR 8,099,375 from the statutory reserve. Accordingly, the management reversed the entire statutory reserve balance against the Group's accumulated losses.

21. EMPLOYEE BENEFIT OBLIGATIONS

Accruals are made in accordance with the actuarial valuation under the projected unit credit method while the benefit payments obligation is discharged as and when it falls due.

The movement on the obligations during the year based on the present value is as follow:

	2020	2019
Present value of employees benefit liabilities at 1 January	**17,495,220**	16,487,037
Current service cost	**1,278,638**	1,791,236
Interest	**433,990**	541,300
Paid during the year	**(2,545,455)**	(1,495,353)
Actuarial losses from re-measurement of employees benefit obligation	**223,870**	171,000

(Expressed in Saudi Riyals)

Provision at 31 December	**16,886,263**	17,495,220
Less: advance payments	**(3,260,097)**	(4,237,653)
	13,626,166	13,257,567

Principal actuarial assumptions

The following range of significant actuarial assumptions was used by the Company for the valuation of defined benefit obligation:

	2020	2019
Discount rate	**%2,85**	%2,70
Rate of salary increase	**%2,5**	%2,5

The impact of changes in sensitivities on present value of employee benefit obligations is as follows:

	2020	2019
Valuation discount rate		
- Increase by 1%	**(1,052,215)**	(286,620)
- Decrease by 1%	**1,206,123**	126,480
Expected rate of increase in salary level across different age bands		
- Increase by 1%	**1,198,010**	287,420
- Decrease by 1%	**(1,065,288)**	(126,480)

The average duration of the defined benefit plan obligation at the end of the reporting period is 5 years.

Expected cash flows over the next years valued on undiscounted basis are as following:

	2020	2019
1 year	**884,418**	2,743,600
2 to 5 years	**6,599,573**	10,428,200
6 to 10 years	**8,970,852**	8,210,400

22. Deferred tax liabilities

As at 31 December the balance consists of temporary differences due to the following:

	2020	2019
Fixed assets	**707,143**	612,006
Deferred tax liability	**707,143**	612,006
Less:		
Deferred tax liability at the beginning of the year	**(612,006)**	(508,160)
Foreign currency translation	**(12,379)**	(59,427)
	82,758	44,419

(Expressed in Saudi Riyals)

23. LONG TERM LOAN

On Sha'aban 1, 1416 H (corresponding to December 23, 1995), the Company entered into a loan agreement with the Saudi Industrial Development Fund (the "Fund") No. 1401 for SAR 80 million to finance the construction of SIDC Ceramic Plant. The loan is secured by the pledge of the property, plant and equipment of SIDC Ceramic Plant as well as a property consisting of a land purchased from one of the Company's subsidiaries (Global Marketing Company for Sleeping System Ltd. (Sleep High)) during 2012, instead of mortgaging the entire assets of such subsidiary. The loan amount is payable on an annual instalments starting from 1/2/1420 H (corresponding to May 5, 1999). The loan agreement was rescheduled on Ramdan 7, 1439 H (corresponding May 28, 2018).

The loan agreement contains commitments which include, among other things, limiting the future capital expenditures and maintenance of certain financial ratios. As the last payment was made during the year 2019, and the mortgage was released on the property, plant and equipment of SIDC Ceramics Plant, as well as on the land owned by the head office, Saudi Industrial Development Company - SIDC.

The movement on long term loan is as follows:

	2020	2019
Balance at 1 January	**-**	4,961,112
Repaid during the year	**-**	(4,961,112)
Balance at 31 December	**-**	-

24. ZAKAT AND INCOME TAX

a) Zakat base

	2020	2019
Shareholders' equity	**217,954,610**	255,205,674
Book value of non-current assets	**(211,213,755)**	(197,675,454)
Provisions	**38,496,344**	35,451,457
Adjusted profit for the year	**2,345,684**	(25,909,337)
Zakat base	**47,582,883**	67,072,340

b) Provision for zakat and income tax

The movement on provision for zakat is as follow:

	2020	2019
Balance at 1 January	**10,707,131**	9,766,258
Provision for the year	**1,368,188**	4,360,002
Paid during the year	**(3,458,616)**	(3,419,129)
	8,616,703	10,707,131

(Expressed in Saudi Riyals)

The movement on provision for income tax is as follow:

	2020	2019
Balance at 1 January	**585,125**	19,538
Provision for the year	**449,067**	585,125
Paid during the year	**(667,883)**	(19,538)
Balance at 31 December	**366,309**	585,125
Total	**8,983,012**	11,292,256

c) Zakat and Tax Status of the Group

- **SAUDI INDUSTRIAL DEVELOPMENT COMPANY (SIDC) AND ITS BRANCH SIDC CERAMIC PLANT**

The Company finalized its Zakat status with the General Authority of Zakat and Tax ("GAZT') until the year ended 31 December 2018, after all cases were settled with GAZT and the payment of its financial obligations due to GAZT until the end of 2018.

During the year 2015, the Company obtained final approval from GAZT to submit a consolidated zakat return on the Group's companies (100% owned companies directly and indirectly).

The Company submitted consolidated zakat returns for the years 2015 to 2019 based on the audited consolidated financial statements issued for said years, and according to those returns, the Company paid the zakat due from it, and the Group's companies. All Group's companies obtained restricted certificates and business facilitation letters for the said years.

On 5 March 2019, the Company has received through its zakat advisor financial claims issued by GAZT (Senior Taxpayer Department - Collection Department) with a total amount of SAR 21,025,985, which represents zakat differences due to the re-assessment of the Company's zakat for the years 2007 to 2017. The Company has objected against these assessments during the statutory period after being reviewed.

A final agreement was reached with GAZT to settle the zakat differences resulting from the re-assessment of the zakat for the years from 2007 to 2017. The amount of the claims amounting to SAR 21,025,985 was reduced to SAR 3,768,380, and the zakat differences resulting from the re-assessment of the zakat have been settled for the years from 2005 to 2006 where the Company previously filed an objection to be reduced, where the amount of the claims amounting to SAR 1,143,828 was reduced to SAR 659,591. As a result of this agreement, an additional zakat expense was recorded for the year 2019 amounted to SAR 2,639,762, as the Company has a previously accumulated zakat provision of SAR 1,788,209.

GAZT has issued final zakat certificates for SIDC and its subsidiaries for the year 2019, without obligation to pay the due zakat amounts. This is according to the GAZT initiative due to the circumstances of the Corona pandemic.

The Company has received zakat assessment for the year 2018 with zakat differences of SAR 990,631, an objection was submitted against this assessment, and the Company succeeded in reducing these differences, as the adjusted assessment differences amounted to SAR 150,653, and the adjusted assessment difference was added to the new re-schedule of payments that it was agreed upon with the GAZT.

An agreement has been reached with the GAZT to reschedule the remaining installments due for the zakat differences resulting from the re-assessment of zakat for the years 2007 to 2017, which amounted to SAR 2,308,282, in addition to the adjusted assessment differences for the year 2018 amounted to SAR 150,653, as well as the due zakat for the year 2019 amounted to SAR 1,749,040, with a total amount of SAR 4,207,975, where 20% of the total amount due was paid in the amount of SAR 841,595, and the remaining balance of SAR 3,366,380 has been scheduled in 8 equal installments, the value of each installment is SAR 420,797.

Until the date of issuance of the Group consolidated financial statements for the year 2020, the Company did not receive a final assessment from the GAZT for the year 2019.

- **GLOBAL MARKETING COMPANY FOR SLEEPING SYSTEM LTD. (SLEEP HIGH)**

The Company finalized its zakat status with the GAZT until the year ended 31 December 2005 after all the financial obligation to GAZT were settled and paid in accordance with the resolutions and rulings issued by the specialized committees in this regard (the Preliminary Committee and the Appeal Committee).

The Company submitted its zakat returns for the years 2006 to 2014 in accordance with the standalone financial statements for zakat purposes and paid the zakat due from these returns and obtained a restricted certificate and business facilitation letters for the said years.

The Company has received zakat assessments for the years 2006 to 2011 with zakat differences amounted to SAR 5,593,569.

The Company has filed an objection against all the zakat assessments received from the GAZT for the years 2006 to 2011, within the statutory deadline through the specialized committees (the Preliminary Committee and the Appeal Committee).

The objection submitted by the Company on the zakat assessments for the years 2006 and 2007 and issued with a total zakat difference amounted to SAR 1,737,692, was discussed with the Preliminary Tax and Zakat Objection Committee (POC) in Jeddah, which issued its decision No. (1/2) for the year 1435 H, to support GAZT in all the items subject to the objection and its entitlement to those differences except for one item only, where the Company was supported in the deduction of the remuneration of the board of directors members (deduction within the limits of the same salary), as these objections were re-discussed with the Appeals Committee and the decision issued by the POC in Jeddah, where the Appeal Committee issued its decision No. (1370) for the year 1438 H, to reduce the zakat differences by an amount of SAR 282,248 in favor of the Company, and GAZT's entitlement to zakat differences amounted to SAR 1,455,444. The Company has filed an appeal to the Administrative Court, which was rejected for not being within the jurisdiction of the court, and another appeal was filed against the decision of the Administrative Court in Jeddah, and until the date of issuance of these financial statements, no session has been set to discuss the decision.

The objection submitted by the Company on the zakat assessment for the year 2008 with a total zakat difference amount to SAR 959,799 was discussed with the POC in Jeddah which issued its decision No. (2/1) for the year 1436 H to support GAZT in all the items subject to the objection except the amendment to the item of gifts and samples amounted to (SAR 1,459), and the entitlement of GAZT in the remaining zakat differences amounted to SAR 958,340. The Company has filed an appeal against this decision of the Appeal Committee in Jeddah, and until the date of these financial statements, the Appeal Committee did not issue their decision.

With regard to the objection filed by the Company on the zakat assessments received from GAZT for the years 2009 to 2011, with a total zakat difference amounted to SAR 2,896,078, GAZT issued an amended on the zakat assessments with a total zakat difference amounted to SAR 2,811,733, with a decrease amounted to SAR 84,345 from the previous assessment. The Company has filed an objection on these assessments to the Preliminary Committee in Jeddah, and until the date of these financial statements, this objection has not been discussed.

The total zakat differences for the years 2006 to 2011 according to the revised zakat assessments received from GAZT amounted to SAR 5,225,517. The zakat provision made in the Company's books until to 2018 is SAR 4,744,912, which will cover 91% of the disputed zakat differences.

The Company submitted its zakat returns for the years 2012 to 2014, according to the standalone financial statements for the zakat purposes, and the estimated zakat was paid according to these returns and no final assessments were received from GAZT until the end of 2020. The Company obtained restricted certificates and business facilitation letters for said years.

The Company has been billed for zakat based on the consolidated zakat returns of the parent company (Saudi Industrial Development Company - SIDC) where the Company submitted the zakat returns for the years 2015 to 2019 within the consolidated zakat return, and the Company has paid its share of the zakat due according to the consolidated returns. The Company obtained restricted certificates and business facilitation letters for the said years and until the date of issuance of the consolidated financial statements, no financial claims or observations have been received by the GAZT for the said years.

- **SIDC COMMERCIAL INVESTMENT COMPANY**

The Company has finalized its zakat status with the GAZT until the year ended 31 December 2018, after paying zakat differences to GAZT until the end of 2018.

The Company has been billed for zakat based on the consolidated zakat returns of the parent company (Saudi Industrial Development Company - SIDC) where the Company submitted the zakat returns for the years 2016 to 2019 within the consolidated zakat return, and the Company has paid its share of the zakat due according to the consolidated returns. The Company obtained restricted certificates and business facilitation letters for the said years and until the date of issuance of the consolidated financial statements, no financial claims or observations have been received by the GAZT for the said years.

- **SIDC PROJECTS INVESTMENT COMPANY**

The Company finalized its zakat status with the GAZT until the year ended 31 December 2018, after paying zakat differences to GAZT until the end of 2018.

The Company has been billed for zakat based on the consolidated zakat returns of the parent company (Saudi Industrial Development Company - SIDC) where the Company submitted the zakat returns for the years from 2016 to 2019 within the consolidated zakat return, and the Company has paid its share of the zakat due according to the consolidated returns. The Company obtained restricted certificates and business facilitation letters for the said years and until the date of issuance of the consolidated financial statements, no financial claims or observations have been received by the GAZT for the said years.

(Expressed in Saudi Riyals)

- **ARABIAN CO. FOR SPONGES & SPRINGS MATTRESSES MANUFACTURING LIMITED**

Arabian Co. For Sponges & Springs Mattresses Manufacturing Limited (Sleep High Egypt) is subject to tax on Egyptian companies.

According to the tax card, the start of the activity and the beginning of the tax exemption start on 1 January 2009 and the tax exemption period is 10 years ending on 31 December 2018. The Company is regularly submitting the tax return for the period from 1 January 2008 till 31 December 2017 on the dates specified in accordance with the provisions of Law No. 91 of the year 2005 in Egypt.

The Company was notified of the tax examination within the 2009 sample, and the tax examination was not completed until the date of issuance of the financial statements.

- **EMMDAD LOGISTIC SERVICES COMPANY**

The Company finalized its zakat status with the GAZT until the year ended 31 December 2018, after paying the zakat due to the GAZT, and the obtained a final certificate valid until 30 April 2020.

The Company has submitted its zakat return to GAZT for the year 2019, and it’s still waiting for the final assessment for the said year.

25. OTHER PROVISIONS

	2020	2019
Employee leave allowance	**2,245,841**	1,853,281
Travel tickets allowance	**671,919**	644,737
Provision for cargo insurance	**500,000**	500,000
Provision for Board remuneration	**300,000**	-
Provision for employee incentives	**250,000**	200,000
	3,967,760	3,198,018

26. SHARES UNDERWRITING SURPLUS

The shares underwriting surplus amounting to SAR 6,350,898 is due to the subscribers of the Company who did not submit to the banks to receive the surplus due to them after the completion of the stocks’ allocation since 1992.

(Expressed in Saudi Riyals)

27. CREDIT FACILITIES

The Group credit facilities of represent a short-term credit facilities from by the Arab Investment Bank / Egypt to finance the purchase of raw materials for one of the subsidiary in Egypt amounting to SAR 4,037,368 during the year 2020 (2019: SAR 4,032,597). The credit facilities include amount to USD 1,021,475, at the variable interest rate of Murabaha facilities.

	2020	2019
International banks	**4,037,368**	4,032,597
	4,037,368	4,032,597

28. ACCRUED EXPENSES AND OTHER LIABILITIES

	2020	2019
Accrued expenses	**5,981,023**	4,634,118
Advances from customers	**3,036,027**	2,779,084
Value added tax	**420,927**	-
Social insurance	**67,351**	69,475
Employee payable	**64,205**	90,674
Other	**381,878**	328,810
	9,951,411	7,902,161

29. COST OF SALE

	For the year ended December 31	
	2020	2019
Consumables and spare parts	**85,017,172**	109,876,228
Salaries, wages and employee benefits	**21,530,674**	26,528,737
Depreciation of property and equipment	**8,090,613**	8,420,728
Transportation	**3,494,160**	3,215,207
Utilities	**2,726,409**	2,769,503
Maintenance	**1,847,786**	1,755,778
Subscription and licenses	**1,716,964**	1,394,960
Depreciation of right of use assets	**1,329,725**	876,262
Insurance	**496,233**	700,853
Vehicles rent	**475,795**	682,690
Cleaning and hospitality	**323,691**	291,819
Rent	**94,815**	612,926
Other	**1,812,764**	1,088,176
	128,956,801	158,213,867

(Expressed in Saudi Riyals)

30. SELLING AND DISTRIBUTION EXPENSES

	For the year ended December 31	
	2020	2019
Salaries, wages and employee benefits	**8,982,838**	12,988,010
Depreciation of right of use assets	**2,001,715**	2,090,863
Shipping expenses	**575,299**	606,792
Depreciation and amortization	**557,239**	610,779
Communications and utilities	**442,678**	497,797
Advertising and media	**318,538**	458,827
Subscription and licenses	**318,326**	288,301
Repairs and maintenance	**107,823**	213,677
Insurance	**41,522**	119,796
Professional fees	**35,000**	55,902
Visibility study	**-**	5,911,755
Other	**238,541**	612,504
	13,619,519	24,455,003

31. GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended December 31	
	2020	2019
Salaries, wages and employee benefits	**17,719,754**	19,168,244
Inventory impairment and write-off	**4,058,836**	20,263,510
High management and the board of directors salaries and remunerations	**2,073,401**	1,136,673
Depreciation and Amortization	**1,771,956**	1,933,066
Professional fees	**1,324,812**	1,423,918
Depreciation of right of use assets	**461,834**	433,882
Communications and utilities	**919,268**	1,054,397
Provision for doubtful debts and advance payments	**867,613**	4,435,392
Subscription and licenses	**756,961**	659,895
Traveling and hospitality expenses	**510,863**	785,033
Repairs and maintenance	**114,261**	149,387
Bank charges	**56,405**	213,462
Rent	**38,776**	-
Other	**2,217,528**	2,619,554
	32,892,268	54,276,413

32. OTHER INCOME

	For the year ended December 31	
	2020	2019
Scrap sales	**3,315,712**	301,299
Bad debt collections	**1,507,356**	2,093,406
Foreign currencies translation gains	**121,345**	852,150
Cash refundable - Ministry of Labor	**60,438**	292,190
(Loss) / Gain from sale of property and equipment	**(38,656)**	52,492
Other	**404,024**	330,603
	5,370,219	3,922,140

(Expressed in Saudi Riyals)

33. (LOSS) EARNINGS PER SHARE

The share percentage has been computed at operating loss, other income and net loss for the year on the basis of number of outstanding shares during the year represent to 40 million shares (2019: 40 million shares).

34. COMMITMENTS AND CONTINGENT LIABILITES

	2020	2019
Approved and contracted capital commitments	**-**	604,741
	-	604,741

35. SEGMENTAL INFORMATION

The Group has the following main business segments:

Mattresses and sponges segment, which includes the production and sale of various pressures sponges, mattress frames, beds and all their accessories.

The toiletries tools segment, which includes the production and sale of toiletries, ceramic wall and floor tiles, and acrylic bathtubs.

The following is the distribution of the Company's its subsidiaries activities and according to the operating and geographic segments, which represent the main business segments of the Group:

Operating Segment

	Mattresses and sponges	**Toiletries**	**Other Segments**	**Total**
31 December 2020				
Total assets	**173,368,060**	**48,984,825**	**75,654,311**	**298,007,196**
Total liabilities	**52,365,120**	**15,734,509**	**12,898,402**	**80,998,031**
Net sales	**145,985,639**	**18,618,816**	**-**	**164,604,455**
Profit / (loss) for the year	**17,117,770**	**(9,614,150)**	**(10,750,128)**	**(3,246,508)**
31 December 2019				
Total assets	175,409,066	52,800,044	74,337,971	302,547,081
Total liabilities	52,348,404	10,093,135	13,619,725	76,061,264
Net sales	168,412,968	22,988,909	-	191,401,877
Loss for the year	(12,364,246)	(15,615,905)	(11,223,320)	(39,203,471)

(Expressed in Saudi Riyals)

Geographic Information

Description	Kingdom of Saudi Arabia	Egypt	Total
31 December 2020			
Total assets	**266,625,362**	**31,381,834**	**298,007,196**
Total liabilities	**73,075,951**	**7,922,080**	**80,998,031**
Net sales	**136,566,543**	**28,037,912**	**164,604,455**
(Loss) / profit for the year	**(4,958,202)**	**1,711,694**	**(3,246,508)**
31 December 2019			
Total assets	271,826,801	30,720,280	302,547,081
Total liabilities	66,013,992	10,047,272	76,061,264
Net sales	153,476,461	37,925,416	191,401,877
(Loss) / profit for the year	(40,447,883)	1,244,412	(39,203,471)

36. LEGAL CLAIMS

A final ruling was issued in favour of the Saudi Industrial Development Company "SIDC" from the Court of Appeal in Makkah Al-Mukarramah Region in Case No. (2798) for the year 1434 H filled by the Saudi Industrial Development Company "SIDC", which claims Juhayna Company for Trading, Industry and Construction Ltd - the former partner in the Global Marketing Company for Sleeping System Ltd. "Sleep High" and other companies in the Arab Republic of Egypt in the value of financial abuse and dues before and after the issuance of the judicial ruling No. (163 / DTG / 13) for the year 1429 H, issued by the Board of Grievances proving the sale of the shares of Juhayna Trading, Industry and Construction Ltd. - the former partner In the Global Marketing Company for Sleeping System Ltd. "Sleep High" and other companies to the Saudi Industrial Development Company " SIDC", as this ruling obligated Juhaina Trading, Industry and Construction Company - the former partner - to pay the Saudi Industrial Development Company "SIDC" amounts equivalent to these at the date of the application for enforcement of the ruling issued a total amount of SAR 15,193,873 approximately.

An application was submitted to the Execution Court in Jeddah Province to request the execution of the ruling, which registered with the number (3901242395), dated 10/11/1439 H, and it was referred to the Twelfth Enforcement Department, which applied Articles No. (34) and (46) of the Enforcement Acts and its executive regulations. In light of the above data, and because the executor against it is a Limited Liability Company, any amounts that will be collected will be recorded directly upon collection, and the procedures for implementing the ruling and attempting to collect the amount are still in the Court of Execution.

“SIDC” has previously submitted a request for an interpretation of the final ruling in Case No. (2798) for the year 1434 H, and an initial ruling was issued in solidarity with both Juhayna Company and Abbas bin Ali bin Ahmed Abdul Jawwad in paying the amounts awarded in favor of “SIDC” and the request to calculate the ruling amounts was rejected. “SIDC” also notified of the petition request submitted by Juhayna in the final ruling No. (163 / DTG / 13) for the year 1429 H, and the petition request is still pending by the office of the competent department, noting that submitting the petition request has not stopped the execution procedures of the ruling.

(Expressed in Saudi Riyals)

37. RISKS MANAGEMENT

The Group's exposure to the risks, and its approach to managing these risks are set out below:

a) Credit Risk

Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a financial loss. The financial assets that potentially expose the Group to the concentrations of credit risk, mainly consist of bank balances and trade receivables. Cash is placed with banks with sound credit ratings. The management reviews outstanding accounts receivables.

Accounts receivable at the consolidated financial statement are presented the net balance of provision for doubtful debts which is estimated by the Group based on past experience and assessment of current economic environment.

	December 31, 2020	December 31, 2019
Cash at Banks	**16,355,541**	8,373,464
Accounts receivable	**16,042,467**	22,595,576
	32,398,008	30,969,040

b) Foreign Currency risk

Some items of the Group are expressed in foreign currencies which exposes the Group to exchange rate fluctuations of these currency. The Group may, from time to another, enter into forward exchange contracts to manage currency risks and its requirements that relate primarily to importing certain materials in foreign currencies.

c) Interest rate risk

Interest rate risk is comprised that the financial instrument will fluctuate due to changes in the prevailing interest rates in the market.

d) 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 an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet any future commitments.
Following are the contractual maturities at the end of the reporting year of financial liabilities. The amounts are grossed and undiscounted, and included the estimated interest payments.

(Expressed in Saudi Riyals)

December 31, 2020	**Carrying amount**	**On Demand or Less than one year**	**From one year to 5 years**	**More than 5 years**
Non - Derivatives Financial Instruments				
Credit facilities	**4,037,368**	**4,037,368**	**-**	**-**
Lease liabilities	**11,501,085**	**4,176,850**	**7,324,235**	**-**
Accounts payable and other payable	**31,824,599**	**31,824,599**	**-**	**-**
	47,363,052	**40,038,817**	**7,324,235**	**-**

December 31, 2019	**Carrying amount**	**On Demand or Less than one year**	**one year to 5 years**	**More than 5 years**
Non - Derivatives Financial Instruments				
Credit facilities	4,032,597	4,032,597	-	-
Lease liabilities	10,040,018	3,975,756	6,064,262	-
Accounts payable and other payable	27,277,904	27,277,904	-	-
	41,350,519	35,286,257	6,064,262	-

e) Price Risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether these changes are the result of specific factors for the instrument, the issuer, or factors affecting all instruments traded in the market. The Group is exposed to market risk with respect to their held investments at equity which classified as financial assets at fair value at the statement of financial position. The Group diversify their portfolio to manage the resulted price risk from the investment in the equity share.

f) Fair Value Measurement

Fair value is the amount for which an asset is exchanged or a liability settled between knowledgeable and willing parties on fair terms. Where the financial instruments of the Group are recognized on the historical cost basis only and there are differences between the carrying amounts and the fair value estimates, management believes that the fair values of the Group's financial assets and liabilities are approximate to their carrying values.

(Expressed in Saudi Riyals)

	Carrying amount		Fair Value			
	Amortized Cost	**Fair Value**	**Level (1)**	**Level (2)**	**Level (3)**	**Total**
December 31, 2020						
Financial Assets						
Cash and cash equivalents	**16,980,510**	**-**	**-**	**-**	**-**	**-**
Financial assets at fair value through profit or loss	**-**	**956,050**	**956,050**	**-**	**-**	**956,050**
Financial assets at fair value through other comprehensive income	**-**	**44,024,506**	**38,774,506**	**-**	**5,250,000**	**44,024,506**
Accounts receivable	**16,042,467**	**-**	**-**	**-**	**-**	**-**
	33,022,977	**44,980,556**	**39,730,556**	**-**	**5,250,000**	**44,980,556**
Financial Liabilities						
Accounts payable	**21,873,188**	**-**	**-**	**-**	**-**	**-**
Credit facilities	**4,037,368**	**-**	**-**	**-**	**-**	**-**
Lease liabilities	**11,501,085**	**-**	**-**	**-**	**-**	**-**
	37,411,641	**-**	**-**	**-**	**-**	**-**
December 31, 2019						
Financial Assets						
Cash and cash equivalents	9,580,847	-	-	-	-	-
Financial assets at fair value through profit or loss	-	16,506,127	16,506,127	-	-	16,506,127
Financial assets at fair value through other comprehensive income	-	26,387,694	21,137,694	-	5,250,000	26,387,694
Accounts receivable	22,595,576	-	-	-	-	-
	32,176,423	42,893,821	37,643,821	-	5,250,000	42,893,821
Financial Liabilities						
Accounts payable	19,375,743	-	-	-	-	-
Credit facilities	4,032,597	-	-	-	-	-
Lease liabilities	10,040,018	-	-	-	-	-
	33,448,358	-	-	-	-	-

38. COMPARATIVES FIGURES

Certain figures have been reclassified for the year ended 31 December 2019 to conform with the current year figures.

39. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been approved by the Board of Directors on 17 Sha'aban 1442H, (corresponding to March 30, 2021G).